The TRADE RELATIONS between ENGLAND AND INDIA

C. J. HAMILTON, M.A.

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BY

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PREFACE.

For more than a hundred and fifty years the trade of the greater part of India with the rest of the world has been carried on to a large extent by British traders and regulated in accordance with a commercial policy determined by British rule.

Those who are familiar with Indian economic opinion will be aware that there exists a widespread belief among the Indian people that the industrial prosperity and development of the country has, at various stages of her history, suffered heavily as the result of the trade policy imposed upon her.

It is frequently alleged that India, before the days of British rule, possessed great and flourishing manufactures and that their downfall may be largely, if not wholly, traced to the selfish fiscal policy of the British Government.

The period during which this harmful action is thought to have been most prominent is that extending over the last decades of the 18th century and the first decades of the 19th century—the period that is commonly described as embracing the years of the Industrial Revolution in England.

Dutt, whose writings on the subject of Indian economic history probably exercise a wider influence in India than those of any other

author, remarks, "India in the 18th century was a great manufacturing as well as a great agricultural country, and the products of the Indian looms supplied the markets of Asia and of Europe. It is unfortunately true that the East India Company and the British Parliament, following the commercial policy of a hundred years ago, discouraged the import of certain Indian manufactures in the early years of British rule in order to encourage the rising manufactures of England. Their policy . . . . was to make India subservient to the industries of Great Britain, and to make the Indian people grow raw produce mainly in order to supply material for the looms and manufactories of Great Britain. This policy was pursued with unwavering resolution and with fatal success." ("Economic History of India," p. viii.)

The methods by which this destruction of Indian industry were said to have been carried out were in the main a series of tariff laws excluding, or heavily penalizing, the import of Indian goods into England while subjecting the Indian manufacturer to the full force of English competition in the home market. When, at a later date, England had adopted free trade she is said to have again crippled the industrial expansion of India by enforcing upon her a free trade policy, and, in particular, by the imposition of an excise duty upon cotton fabrics as the result of which the nascent machine industries of India are thought to have been disabled from competing on

equal terms with the rivals of China and Japan.

I believe the theory so generally current, which attributed the passage of India's Golden Age of manufacturing prosperity to England's commercial policy, to rest almost entirely upon a one-sided and inaccurate interpretation of economic history.

As long as this misapprehension lasts, so long will the sense of injury and injustice continue to which it has given rise.

It is not the purpose of this book to attempt a vindication of British commercial policy in India. A dispassionate study of the facts, however, must make it abundantly plain that India was never a great manufacturing country, except in respect of hand spinning and weaving. Hand spinning has indeed almost entirely passed away, even in India, but hand weaving has never been destroyed. As late as 1894, a third of the cotton yarn spun in the Bombay mills as well as practically all the yarn imported from England was woven into cloth on the hand looms of the village weavers.

By the end of the 18th century India was beginning to lose her export markets and early in the 19th century the producers of the finer cotton goods were being driven even from the home market. But this was the inevitable result of an unequal fight between the handicraftsman and the machine product. The high English import duties were neither directed

against the Indian cotton manufacturers nor did they play any really important part in determining the outcome.

The consideration of the effect of the tariff upon Indian manufacture is the chief topic of this book. At the same time I have briefly traced the history of the trading activities of the East India Company from its foundation in 1600 to its close in 1858. The steps by which the Company gradually passed from being a small trading corporation and came finally to be the governing power of the country can hardly be followed without a sense of the absorbing interest of the subject. It properly belongs to this book to deal only with the economic activities of the Company. Even from this point of view the materials for a complete account present a field of study so great as to compel the omission of many topics each of which might well be the subject of a special monograph. As a brief introduction I hope the present account may prove helpful to the Indian students of Economic History for whom it is primarily written.

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THE TRADE RELATIONS BETWEEN ENGLAND AND INDIA

CHAPTER I.

Introduction.

A study of the trade relations between England and India which has for its chief topic the consideration of the effects of English commercial policy upon the growth or decline of Indian industry and commerce involves an examination of the economic history both of India and of England.

From the year 1600 when the London East India Company first received its charter, an event which may be taken as the starting point of English trading relations with India and the Far East, down to 1765 when the Company obtained the grant of the Diwani of Bengal, the position of the English in India was that of a foreign people carrying on a commercial intercourse under conditions imposed, or at least acquiesced in, by the native rulers of the country.

It is during this period that Indian industry is often represented as having enjoyed its Golden Age. Instead of being a country in which labour is occupied almost wholly in agriculture, India is spoken of as at that time having possessed widespread and flourishing manufactures. This period is contrasted with the subsequent decline and decay of industrial life, an event that is often attributed to the trade policy of England.

In 1765 the English virtually became the sovereign power over the wealthiest province of India and the responsibility for the fiscal policy of the country gradually

passed into their hands. But for many years after the grant of the Diwani that authority was exercised over districts widely separated from each other and between which the native rulers continued, either in independence, or in exercise of considerable administrative influence. A long period elapsed before any unity of economic life was established, or any thorough revision of fiscal administration undertaken. Each of the provinces under British rule remained practically separate fiscal countries and India as a whole was split up into a number of economically distinct areas. From the standpoint of tariff history this state of things may be regarded as continuing down to 1858.

From then on India has been substantially a single economic nation although with borders that have been gradually extended. From then also the policy of free trade, which by that time had gained complete acceptance in England, has been the guiding principle in determining the actions of Government in regard to Indian trade and tariff.

Thus between 1600 and the present day we may recognise three broad divisions in the history of trade between England and India. The first covers the period of native rule from 1600 to 1765. The second includes the period of transition from 1765 to 1858. The third relates to India consolidated as a single economic whole under English government from 1858 to the present time.

When we turn to the commercial policy of England as manifested in the conditions under which she has admitted Indian goods into her own markets, it will be found convenient to recognise broadly the same three periods of time as distinguished by differences in the nature of the events and ideas by which that policy was shaped.

From 1600 down to the last quarter of the 18th century the policy of mercantilism held almost undisputed sway in England, as in the rest of Europe. It was a cardinal doctrine of the mercantilists that the State should legislate on matters of trade with the purpose of controlling private enterprise in the general interests of the nation. In exercising this control three objects were kept prominently in view. The first, to protect the staple manufactures of the country; the second, to secure a favourable balance of trade as the result of her imports and exports; and the third, to extend by all possible means the growth of the mercantile marine. During the greater part of the 17th century the tariff itself was not regarded to any great extent as an instrument for the regulation of trade, but when in the 18th century the control of trade had finally passed to Parliament the tariff gradually acquired a new significance. It was still primarily an instrument of revenue, but it was increasingly used with the further object of directing the course of trade. Import duties were more definitely imposed for the purpose of aiding native manufactures, while bounties upon export became increasingly popular as a means to the same end.

From the last quarter of the 18th to the second quarter of the 19th centuries two new facts became dominant in English economic life and thought. On the one hand there was the remarkable series of events making up the so-called Industrial Revolution and leading to the conflict between the representatives of the new manufacturing interests and the old agrarian party. The interests of the former were more and more identified with the policy of free trade and in time these interests triumphed. The other dominant fact of this period was the economic necessity for a largely increased revenue on account of the Napoleonic wars. Thus, while the nation was being converted intellectually to a belief in free trade, events

caused the country to pass through a period characterised by a higher range of customs duties than ever before.

In the third period free trade became both the intellectual conviction and the established practice of the nation. As an instrument of revenue a complicated schedule of high duties was found to defeat itself. Barriers upon imports were recognised as a serious hindrance to the development of foreign markets for English manufactures.

To remove as far as possible the barriers upon the interchange of commodities became the accepted policy of Parliament and the doctrines of laissez faire, which the English Parliament embraced as desirable for England, were applied in India as desirable there also. We may thus recognise three periods into which the study of the trade between India and England conveniently falls and turn first to an account of its development in India in the period from 1600 to 1765.

CHAPTER II.

The Foundation of English Trade in India—1600 to 1661.

When the history of direct trading intercourse by sea between Europe and the East began with the Portuguese conquests at the end of the 15th century the foreign trade of India was chiefly in the hands of the Moors.

The Muhammadan conquests of the 13th century had established the Muslim influence over a great part of India, but the trading activities of the Moors were by no means confined to those parts of the country which acknowledged the sovereignty of the Mughal Kings. They had equally established themselves as the traders in the ports of the independent Hindu and Muslim princes of the east and the west coasts.

At the time of the coming of the Portuguese a regular trade was carried on between India and the principal markets of the West by means of three main trade routes.

The first was by sea to the Arabian coast at Aden and thence to Cairo and Alexandria. The second was by sea to the Persian Gulf and thence by land to Aleppo and on to the Levantine ports. The third lay overland by Kandahar to the cities of Persia and Turkey. The chief ports from which the cargoes were despatched overseas were those of the Malabar Coast and of Diu and Surat further to the north. The former also constituted the meeting places between the junks coming from the East India Islands and the Far East and the Moorish merchantmen trading to the West. It is impossible to give any precise account of the magnitude of India's foreign trade at that time. Numerous as the Moorish

trading vessels that entered the western ports appear to have been, it must be remembered that they sailed only during five months of the year when the winds were favourable. Although, judged by modern standards, the Portuguese had command of but few ships of small size they nevertheless experienced comparatively little difficulty in vanquishing the armed merchantmen of the Arab fleet. No doubt the struggle at sea between the Portuguese and the defenders of the Muslim faith, which continued throughout the 16th century, must have damaged the trade with India by the oversea routes.

At the same time it is at least probable that the trading activities of the Portuguese made up for any loss of traffic sustained by the Moors.

Whatever may have been the case during the 16th century, when the Portuguese enjoyed a virtual monopoly of the Indian overseas trade with Europe, there is no doubt that the advent at the end of that time of the Dutch and the English brought about a considerable extension of Indian foreign trade as compared with any earlier time.

Instead of a precarious trade route over deserts infested by an unconquered race of plunderers, followed by transportation on the unwieldy coasting boats of the Indian seas, the merchandise of the East and West could be exchanged by using the far safer and speedier passage round the Cape.

It is necessary to bear in mind however when attempting to form estimates of the extent of manufacture or of foreign commerce in those days as compared with our own time that both manufacture and trading intercourse were then everywhere on a very small scale. England, even in the 16th century, was beginning to play an important part in the commercial world, and yet it is said that in 1588 there were only some hundred and fifty ships employed by England in her trade to all parts of the

world, and these had an average burden of only a hundred and fifty tons, while in 1602 the shipping of the country was said to have declined by a third in the course of the previous twelve years. (Milburn, "Oriental Commerce," Vol. I, p. ix.)

The whole of the annual sea-borne trade between India and Europe in the 16th century was carried in a small fleet of vessels, each of a few hundred tons burden, taking many months to complete the voyage. And yet the contemporary writers of the time speak of the marvellous riches of the East, of the extent to which Europe was enriched by the importation of Indian products, and of the dissemination throughout India of manufactures revealing the industry and skill of the people. Unless the very wide difference between the standards of those days and these is constantly remembered there is danger that the accounts of the early writers will be interpreted in accordance with modern ideas regarding the condition and extent of industry and commerce.

One of the curious facts concerning early descriptions of India is that the country is constantly spoken of as being remarkable for its great wealth while it is no less common to find the extreme poverty of the great mass of the people emphasised as its predominant characteristic. These two apparently contradictory judgments are capable of a simple explanation. European travellers in particular have always been in the habit of remarking upon the wealth of tropical regions, their imagination being naturally struck with the luxuriance of the vegetation and the rapidity with which crops can be raised from the soil.

They have been equally impressed by the magnificence and display witnessed in the courts of oriental princes. The jewels and silks there found in abundance are taken

as typifying the wealth of the country, while the fact that perhaps the greater part of the revenue over vast areas is lavished upon the splendours of a single potentate and his followers is overlooked. Again, the traditions of the Indies as a place of marvellous wealth is due in part to the Eastern habit of accumulating hoards of jewels and precious metals. Such accumulations naturally excited the imagination and not seldom appeared as mighty prizes in the eyes of potential plunderers. When, however, India and the East were spoken of as a source of great wealth by the early European traders it is probable that the chief reason is to be found in the fact that the trade afforded opportunities of exceptional profit to individuals. The trading intercourse between the East and the West was exposed to such difficulties that the products of the East only found their way into the markets of Europe in such quantities as for a long time to give both scarcity and monopoly profits to those engaged in the traffic. The pepper and spices of India and the East India Islands can scarcely be regarded as objects of great value, or as constituting great wealth, in the East itself. But while Eastern spices could be purchased for a few pence per pound in the countries in which they were grown, they could often be sold for twice as many shillings per pound in the markets of Europe in the 16th and 17th centuries. A few cargoes of pepper and cloves were made to pay the whole cost of a trading expedition with a handsome profit into the bargain.

Regarding the conditions of manufacture in India it would seem that in one sense they remained largely unchanged for many centuries down to the time when the method of machine industry took the place of the method of handicraft in the West, but not in the East. In the first century A. D. an account is given in the "Periplus of the Erythraeen Sea" of the trade of India with the ports of Arabia and the Red Sea. The articles which were

the objects of that trade seem to have been much the same as the articles mentioned in the account of the European travellers and traders of the 17th century. Cotton cloths, muslins, chintzes, silk cloth and thread seem to have been the only manufactures properly so-called playing an important part in Indian exports.

For the rest, dyes, drugs, spices and precious stones comprised almost the only articles of foreign commerce. Indian manufactures would seem therefore to have been comprised under two heads. On the one hand there were the village handicrafts supplying the scanty needs of the local population in which the variety of the products and methods of production do not seem to have varied greatly down to quite recent times. On the other hand there were the handicrafts that ministered to the wants of the wealthy few. By far the most important of these were connected either with the building and decoration of the great palaces, mosques and tombs, or with the finer manufactures of cotton and silk. It was these latter goods that for long held an assured place in the markets of the Near East and gradually enjoyed an increasing sale in all the countries of Europe at a time when the growth of wealth was causing a desire for articles of dress more attractive than the woollens of England and the linens of Holland and France.

It will be found in a study of India's foreign trade in the 17th and 18th centuries that we are concerned almost entirely, from the point of view of Indian exports, with the raw products of the country such as pepper, indigo, saltpetre and so forth, and with her textile manufactures of cotton and silk.

In an historical account of Indian trade relations with England the part played by the East India Company occupies so important a place that we must now turn to give in brief outline the story of the foundation and

growth of the Company's trading settlements in the East.

When the London East India Company obtained, in 1600, a monopoly of the English trade between the Cape of Good Hope and the China seas, it found itself in a position of acute rivalry, frequently amounting to a state of armed conflict, with two powerful competitors.

For nearly a hundred years after the voyage of Vasco de Gama in 1498 the Portuguese had been the sole European power to dispute with the Arabs for the trade of the Indian coasts. The ports of Cochin and Calicut on the Malabar Coast had long been the favourite resort of the Arab ships and the Portuguese early decided upon a policy of extermination by force as the best means of dealing with these rivals. Within a few years the Arab fleet had been either destroyed, or admitted to the trade on the Malabar Coast on Portuguese terms, while the native rulers of Ceylon had paid homage to the representatives of the King of Portugal.

The victory at Diu in 1509 left the Portuguese masters of the Indian Ocean. Thus triumphant at sea they turned their attention to the establishment of permanent settlements on shore. The conquest of Goa gave them a station excellently situated for purposes of trade midway between the ports of Cochin and Calicut in the south and Surat in the north, while the capture of Malacca in 1511 gave them command of the most lucrative branch of Eastern trade at that time.

The commercial policy of the Portuguese in Asia was based upon the enforcement of treaties with the native rulers which contained three main provisions: the recognition on the part of the Indian rulers of the sovereignty of Portugal; the payment of an annual tribute; and the grant of a site for a factory and a fortress. Moreover, the Portuguese aimed with greater or less success at securing a privileged position for the purchase of

goods and for the entry of their ships. Thus the Zamorin of Calicut was compelled in 1540 to consent to send "all the pepper and ginger there may be on his lands to the King our lord." By the treaty of 1520 the monopoly of all pepper grown in Quinlon was granted to the Portuguese King.

Having established themselves as the predominant naval power in the East, the Portuguese devoted their chief energies to their main objects, *viz.*, the amassing of treasure obtained either by way of tribute or as the result of scarcely better than piratical expeditions, the development of the spice trade with the islands, and missionary enterprises in the interests of the Catholic Church.

Throughout the period of their pre-eminence they owed their position in a large measure to the force of arms. By conquest and by taking advantage of the rivalry of the local rulers they were enabled to establish a number of fortified settlements, the chief of which were those in Goa and Cochin. But their force of arms which was successful against the weaker princes of Ceylon and South India was inadequate against the more powerful resources of the Mughal Emperor. Thus, although the Portuguese had, at the time when the London East India Company began its voyages to the East, certain commercial stations in Bengal and a footing in the port of Surat, their influence in the north was far less than in the south. By the end of the 16th century their power was definitely on the decline. Nevertheless their presence in India had an important bearing upon the early position of the English.

They were, as has been said, in possession of important trading stations both on the west and the east coast. But their pursuit of conquest, frequently accompanied by acts of extreme cruelty, had caused them to be feared and disliked by the native rulers who were nevertheless too weak to offer effective resistance. Consequently when

the English appeared upon the scene they found that they were often welcomed not only as increasing the trade and therefore the revenue of the local rulers, but as possible protectors from the severity of the Portuguese.

Again, the Portuguese still retained the chief power at sea, a power which exposed even the ports of the Mughal Empire to attack and menaced the safety of the sea routes by which the goods and pilgrims from the Mughal dominions travelled between India and the Persian and Arabian coasts. In freeing the Mughal Empire from the dangers of the Portuguese fleet the English found their first substantial instrument wherewith to negotiate trading privileges for themselves. Outside the Mughal dominions the Portuguese, largely on the strength of the treaties in virtue of which they claimed sovereign rights over their settlements, succeeded in excluding the English for a number of years from many of the principal trading centres.

Meanwhile there appeared upon the scene, shortly before the incorporation of the London East India Company a power that soon proved itself able to contest with success the claim of the Portuguese to a monopoly of the Eastern trade. When, in 1581, Holland achieved her independence the Dutch people, filled with the vigour of their new liberty, began to push their commercial enterprises in all directions. Amsterdam became the European emporium of Indian commerce, outrivalling Venice and Lisbon in the days of their greatest prosperity. The Dutch navigators circled the world, founding among the more important colonies those of New Holland, long since known as Australia, and New Amsterdam, since christened New York.

It was in the last years of the 16th century that they turned their attention to the trade of the East. Between 1595 and 1601 no less than fifteen Dutch fleets

were despatched to the Indies. (Hunter's "History of British India," Vol. I, p. 334.)

The States General of Holland realised that success in their new ventures depended upon the conquest of the Portuguese power in Indian waters, and the history of their early trading voyages is chiefly concerned with the series of victories by means of which this conquest was achieved.

In 1602 the Dutch routed the Portuguese near Bantam, thus opening for themselves the trade route to the Moluccas and the Spice Islands and declared that "the commerce of the Moluccas, Amboyna and Bantam should belong to the Company and that no other nation in the world should have the least part." A few years later they had established themselves as the chief trading power in Java with their capital at Batavia, and by the middle of the 17th century the Portuguese had been driven from the Malay Straits as well as from Ceylon.

In 1641 Portugal formally surrendered her exclusive claims to the spice trade by a treaty with Holland which allowed the Dutch to retain their conquests and gave free navigation and trade to both powers in the Eastern waters. When the Dutch had established their power in the Eastern Archipelago they adopted the most drastic provisions for the maintenance of their trade monopoly.

Their factories claimed the exclusive right to deal in all the chief products of those parts, such as amber, cassia, cloths, camphor, cloves, pepper, mace, nutmeg, gold, diamonds, etc. The natives were forbidden to sail beyond certain limits from their own coasts and were prohibited from trading with Indian or other Asiatic ports. (Hunter's "History of British India," Vol. I, p. 343.) Almost everywhere a defensive alliance with the natives against the Portuguese became the basis of the Dutch power.

The situation, then, which confronted the London East India Company upon its entry into the trade with the East may thus be briefly described. The most valuable articles of commerce from the sale of which the Company expected to gain their chief profits were the products, not of India, but of the islands of the Eastern Archipelago. It was to these islands that their first voyages were made, only to find that the Dutch who had preceded them by a few years claimed everywhere in virtue of treaties with the local chiefs to possess a trading monopoly. These rights the English actively disputed. They even claimed prior rights on the ground that the English were the first discoverers of the country in the person of Sir Francis Drake. The local rulers were by no means always on the side of the Dutch and the English were from the first successful in securing a certain amount of trade with the islands.

The first voyage of the London Company was to the island of Sumatra, where, in return for a gift to the King of Acheen, a treaty of commerce was entered into by which the privileges of trade, both import and export, were granted to the English merchants free of all customs duties. Similar privileges were secured from the King of Bantam in the island of Java. The Company's factory at Bantam continued for some years to be the centre from which its affairs in the East were directed.

The steady opposition of the Dutch, however, rendered their position both hazardous and insecure. Partly because of their difficulty in obtaining a firm foundation for their trade in the islands and partly because they soon discovered that the products of the islands could be profitably exchanged for the cotton cloths of India, they turned to devote their chief attention to the development of a trade with the mainland.

In India itself, as we have seen, the Portuguese land power had been chiefly confined to the Malabar Coast

and Ceylon, although they possessed outlying factories in the Mughal Empire and on the Coromandel Coast. Although their sea power no longer enjoyed undisputed sway in Eastern waters, the Portuguese were nevertheless still greatly feared in India, even by the Mughal Emperors themselves. When, therefore, the English traders sought to establish themselves in India, they found their chief difficulty lay in the opposition of the Portuguese, with whom the English nation were at the time at war in Europe.

The early successes of the English fleet in overcoming the Portuguese at sea soon enabled them to acquire prestige with the Indian rulers and gave them a double basis upon which to rest their petitions for trading privileges. On the one hand they held out the prospect of increasing revenue as the result of their commerce, while on the other they promised liberation from the piracies of the Portuguese ships.

The Company had equipped their first trading expeditions to the Archipelago with a supply of bullion and a quantity of English goods consisting of woollens, iron, tin, lead and in addition a few articles intended as presents. The return cargoes consisted almost entirely of pepper and spices. The profitable character of the spice trade at this time is suggested by the fact that the original cost of the cloves imported into England on the occasion of the third voyage was £2,948, while the selling price in England was £36,387. (Bruce's Annals, Vol. I, p. 155.) The Company soon found that the Indian cloths and calicos were in far greater demand in the islands of the Archipelago than the English woollens, and it was therefore decided to send ships to Surat to load with Indian cottons which should be used as a means to purchase the pepper and spices of the islands. Surat was the chief port of the Mughal Empire and was approached by the English as

being the place at which they were most likely to receive protection for their trade from the opposition of the Portuguese.

Although the power of the Portuguese in Surat itself was represented only by a small body of merchants under the jurisdiction of the native governor, they nevertheless patrolled the waters outside with the object of regulating trade in their own interests. Hawkins, who was in command of the Company's third voyage, landed in Surat in 1607. The local governor appears to have allowed some of Hawkins' men to remain there, but Hawkins himself, who went to Agra to obtain permission to trade from the Emperor, was unsuccessful in his mission as the result of the adverse Portuguese influence. According to Bruce, the servants of the Company first succeeded in opening trade with Surat in 1612, when they were well received by the native merchants and inhabitants, though opposed by the Portuguese. Broadcloths, lead, iron and quicksilver were exchanged for Surat cloths which were carried to Acheen and there bartered for pepper and spices. It was in this year that the Portuguese attempted to suppress by force the first beginnings of English trade with India. But in a fight at sea off Swally the English succeeded in routing their opponents.

"A month's hard fighting destroyed for ever the Indian legend of the Portuguese supremacy over other Europeans." (Hunter's "History of British India," Vol. II, p. 49.)

The year of this victory marks the institution of an English factory at Surat, the first English settlement in India. By an agreement with the local governor, the English were permitted liberty of trade in the port, with further liberty to settle factories at Ahmedabad, Cambay and Gogo, and all their merchandise was to be subject to a duty of 3½ per cent. only. (Bruce's Annals, Vol. I, p. 164.)

The Portuguese power, however, was not finally vanquished, and the English trade in the Mughal Empire rested upon the slender authority of a local governor's orders. In 1615 a more decisive victory secured by the English in a second engagement with the Portuguese fleet off Swally established the prestige of the English at the Mughal Court and the Emperor expressed his willingness to confirm their trading privileges.

In 1615 James I, anxious to obtain for the Company a recognised basis for its trade in India, sent Sir Thomas Roe as "Ambassador to the Great Mughal." Roe appears to have drafted an agreement, or so-called treaty, by which the English would have secured liberty of trade and the right to settle factories in any part of the Mughal Empire from Surat to the coast of Bengal, also permission for the goods of the English merchants, on payment of the stipulated duty at the port of landing, to be forwarded free to any other English factory, and for goods purchased by the English in any part of the Mughal's dominions to have free transit to the ports at which they were to be shipped. The rate of customs duties upon English imports was to be $3\frac{1}{2}$ per cent. upon goods and 2 per cent. upon bullion. (Bruce's Annals, Vol. I, p. 177.)

This draft treaty is said never to have been ratified at the Mughal Court. (Hunter's "History of British India," Vol. II, p. 52.) Roe was, however, successful in obtaining a firman, or imperial order, permitting the English to reside in Surat and to travel freely into the interior and to trade, subject to no other levies than the payment of the duties named.

It is not altogether easy to estimate the real value of these privileges. It seems that upon goods imported by sea Muhammadans paid a duty of 2 per cent., Hindus 5 per cent., while privileged Europeans such as the members of the Dutch and the English Companies paid

$3\frac{1}{2}$ per cent. The extent of the preference obtained by the latter was thus not very great. On the other hand freedom from the internal transit duties and from interference at the hands of local customs officials was a boon of the first importance.

With regard to the manner in which the privileges were actually enforced much depended upon the character of the Mughal administration in different parts of the kingdom. No doubt in the central and western parts of that kingdom the imperial order would have commanded general obedience. but even there it seems to have been necessary to make frequent presents to the chief local officials in order to keep things working smoothly. Certainly the effect of the imperial order in Bengal appears to have been comparatively little, for when later on the servants of the Company opened up trade with that part of the country they found it necessary to enter into new trading agreements, the earlier firmans arranged from Surat evidently possessing little significance.

The tariff policy, if indeed it is possible to speak of there being a policy at all, in force in the Mughal Empire in the 17th century consisted in levying a low general import duty upon goods entering the country, while further internal transit duties were charged upon goods carried from place to place.

It had long been the custom of the Hindu rulers before the coming of the Mughal conquerors to levy internal duties upon commodities. Such duties were recognised as a regular part of the tax system by the Code of Manu. It is there stated that "having ascertained the rules of purchase and sale, the length of the way, the expenses of food and condiments, the charges of securing the goods carried and the natural profits of trade, let the king oblige traders to pay taxes on their saleable commodities; after full consideration let the king so levy these

taxes continually in his dominions that both he and the merchant may receive a just compensation for their several acts." (Laws of Manu, Chapter 7, quoted by Mill, "History of British India," Vol. I, p. 290.)

It is not quite clear that this tax was really a customs duty so much as a tax upon a merchant's stock-in-trade, but it is probable that the tax was levied in the form of duties upon imports or upon internal transit. The system of transit duties seems to have been accepted and retained under the Mughal administration and continued indeed to be a part of the Indian tax system until the middle of the 19th century. These transit duties, even in well-administered parts of the country, must have been serious impediments and burdens upon trade, while in those parts where the administration was lax they afforded an opportunity for innumerable acts of petty tyranny and plunder upon the part of customs officials. It was therefore of the highest importance to the Company to obtain the imperial order releasing their goods from the liability to search and delay at the hands of the officials of the internal customs barriers. It is not probable that these local duties afforded a very large revenue to the imperial funds, and the not inconsiderable money presents which from time to time were made to the Emperor when obtaining a renewal of the imperial orders for internal trade probably compensated him for any financial loss resulting from their suspension.

That the members of the English and Dutch companies who paid import duties of $3\frac{1}{2}$ per cent. at the port of Surat while private individuals paid at the rate of 5 per cent. did not really gain much from their privilege was certainly the opinion of Tavernier, a shrewd commercial observer. He says: "I believe that taking into account what it cost them in deputations and in presents which they are obliged to make every year at

court, the goods cost them scarcely less than they do private persons." (Travels, Vol. I, p. 68.)

The low range of import duties imposed by the Mughal Emperors proves that there was a general desire to encourage foreign trade. There was no question of an attempt to protect native manufactures or indeed to use the tariff in any way as a means to influence the character of trade except as regards the specially low duty upon imported precious metals. The export trade seems to have been approved as the recognised means for obtaining a supply of the precious metals and of articles of luxury consumed at the court. The tariff policy of the Muslim rulers of India differed in this respect from that of their co-religionists of the Ottoman Empire. From the days of Suliman the Magnificent down to the beginning of the 19th century it was an article of the Turkish economic creed to admit imports as freely as possible. Throughout that time a moderate duty of 3 per cent. *ad valorem* only was levied upon the importation of foreign goods. On the other hand every effort was made to check exportation. (Macgregor, "Commercial Statistics," Vol. 2, p. 14.)

While the duties charged within the Mughal Empire were on the whole moderate, goods passing through the territories of the petty chiefs outside its bounds were frequently subjected to charges so exorbitant as to constitute little less than plunder. Tavernier remarks that it was often necessary to follow very circuitous trade routes in order to avoid such exactions.

If Sir Thomas Roe failed to obtain the ratification of his treaty he at least appears to have formed a shrewd udgment as to the line of conduct to be pursued by the Company's servants. Writing in 1616 he said: "A war and traffic are incompatible. By my consent you shall in no way engage yourselves but at sea where you are like to gain as often as to lose. It is the beggaring of

Portugal, notwithstanding his many rich residencies and territories, that he keeps soldiers to spend it, yet his garrisons are mean. He never profited by the Indies since he defended them. Observe this well. It hath also been the error of the Dutch who seek plantation here by the sword . . . let this be received as a rule that if you will profit, seek it at sea, and in quiet trading; for without controversy it is an error to seek garrisons and land wars in India." (Foster, "Embassy of Sir Thomas Roe," Vol. I, p. xliii.) This letter gives the key-note of the policy followed by the English Company in India for more than fifty years from its foundation. Its servants were there as traders merely. At sea its ships were armed and constantly engaged against the Portuguese and the Dutch. On land they trusted to the concessions which they could win by good will and judicious bribery, never questioning the sovereign authority of the native power.

Surat continued to be the chief centre of English trade in India for the first half of the 17th century.

The prestige of the English, as we have seen, depended very largely upon their power to secure the safety of the port of Surat and of the Mughal ships in the Indian Ocean. This was a responsibility which involved a considerable burden from time to time, but the place had great advantages as a trading centre. Western India appears at that time to have been the most advanced manufacturing part of the country and Surat was the natural port from which such manufactures were sent abroad. Tavernier gives some account of the principal trade centres of that time. He says that silks, cloths, cottons, spices and drugs "are the five classes which include all the kinds of merchandise obtained from India." (Travels, Vol. II, p. 2.) From his account it appears that the raw silk principally obtained from the neighbourhood

of Kasimbazar was carried to Gujerat and there woven into fabrics chiefly in the towns of Ahmedabad and Surat. Again, the cotton cloths of various kinds which were woven extensively in different parts of the country were largely dyed in Agra and Ahmedabad. Although a considerable quantity of indigo was then produced in Bengal it was inferior in quality to that of the Agra district. The principal trade from Surat to Europe then consisted of the export of indigo, saltpetre, and silk and cotton goods.

It must be remembered however that a great part of the Company's commerce carried on at Surat consisted of a coasting trade between the different Indian ports, and of trade with the islands of the Archipelago. The English Company at Surat commonly had as many as twenty ships engaged in this coasting trade. Not the least of the reasons for the early importance of the English settlement was the fact of its being the centre from which a valuable trade was conducted by the English Company with Persia. Hitherto the Persian silks, which in the early 17th century played a much larger part in the markets of Europe than the Indian silks, had been sent to Europe through Turkey.

In consequence of the war between the Persians and the Turks the English at Surat seized the opportunity to open up a profitable trade by direct sea route. Persia, they believed, would afford a good market for the pepper and spices from Bantam as well as for the cloths of Surat and Gujerat in return for which they could obtain Persian silks. The foundation of the Persian trade was laid by the treaty of 1618 in accordance with which the English were given a number of privileges including the liberty of import and export of all kinds of goods without payment of customs duties.

The victory of the English fleet over the Portuguese at Jaques in 1621 was the preliminary to the capture of

Ormuz from the Portuguese in 1622. For thus liberating the Persian port from the Portuguese power the English were granted a share of the customs at the port of Gombroon, which was fixed in 1624 at one-half. Gombroon became the principal English trading station in the Persian Gulf. At the same time a firman was granted by the King allowing the English to purchase whatever proportion of Persian silks they might desire and to bring them to Ispahan without payment of duties.

In the course of the next thirty or forty years the English at Surat passed through a period when the difficulties which they had to face in the maintenance of their trade often appeared so great as to make it scarcely worth while continuing their factory.

As the opposition of the Portuguese declined that of the Dutch increased. Moreover, the unsettled political state of the country frequently rendered the trading privileges which they had previously obtained of little or no value.

The arrival of increasing numbers of interlopers put them at a disadvantage in making their investments and in disposing of their imports. They frequently found themselves heavily handicapped by shortage of capital and much of their trade at this time appears to have been financed with capital borrowed from the native merchants, for which interest at 12 per cent. or more was sometimes paid. The Company's merchants were indeed frequently indebted in large sums in this way. Despite all these troubles, however, the Surat factory managed to maintain its position, and in 1650 once more obtained a number of firmans from the Emperor, conferring liberty of trade in the Mughal provinces, exemption from the payment of internal duties, and a promise of compensation in the event of the Company's caravans being stopped and robbed. Even with these privileges the President at

Surat decided to persevere in the trade, not because it was profitable, but in order to prevent it from passing entirely into the hands of the Dutch. (Bruce's Annals, Vol. I, p. 451.)

We may now turn for a moment from the early history of the English at Surat to give a short account of the Company's trading settlements that sprang up during the first half of the 17th century in other parts of India.

As in the case of Surat, so in their early attempts at trade with the Madras coast, the English were first attracted by the opportunity to barter the calicos of that region for the spices of the Archipelago.

The political condition of this part of the country, however, was very different from that of the Mughal Empire with its firmly established order. By the victory at Talikot in 1565 the Muslim kings of Golconda had supplanted the earlier Hindu rulers; but the kings of Golconda had never succeeded in thoroughly reducing the country and the descendants of the Hindu monarchs, supported by the coast Rajahs, continued to dispute for the power over the districts of the seaboard. The result was a constant state of feud between these local rulers and the Central power, with the result that the English could look to no assured native authority with whom to treat for trading privileges, or upon whom to depend for the safety of their settlements.

The Dutch had already a settlement on the Coromandel Coast at Pulicat, and when the English in 1611 attempted to open up a trade at that place they were refused permission by the local ruler on the ground that exclusive privileges had been granted to the Dutch. They succeeded, however, in obtaining permission to trade at Pettapoli, now known as Nizampatam, where they left factors, thus founding the first English settlement on the Bay of Bengal. They also traded with Masulipatam,

where the Governor demanded a customs duty of 12 per cent., but appears to have eventually agreed to a duty of 4 per cent. (Milburn, "Oriental Commerce," Vol. I, p. 10.)

The factory at Pettapoli was situated in a fever-stricken district where the opportunities for trade were small and life itself in constant danger. It never attained to any importance and was dissolved in 1687. At Pulicat, where repeated efforts were made to establish a factory, the opposition of the Dutch continued to be an effective barrier. It was in Masulipatam, the chief sea-port of the Muslim kings of Golconda, who were not subdued to the Mughal Empire until 1687, that the English first succeeded in opening up a regular trade on the east coast.

They there obtained diamonds and rubies, the fine cloths manufactured chiefly for the consumption of the luxurious inland court, and the common white cloths woven on the coast. In exchange for these goods they imported gold, camphor, benzoine and spices from the Eastern Archipelago and Siam. The trade seems to have been so profitable that in 1627 the Council at Batavia advised that sixty-seven thousand pounds in specie should be sent to Masulipatam to be invested in country cloths to be exchanged for spices in Batavia. (Bruce's Annals, Vol. I, p. 279.)

The English position at Masulipatam was nevertheless far from satisfactory. The Dutch placed every difficulty in their way and although the English obtained authority for their trade from the distant court of Golconda the Dutch had usually the influence of the local governors upon their side.

In 1625 an effort was made to obtain a separate sphere of influence by means of a settlement at Armagon and permission to build a factory and to import and

export goods upon payment of duties of 1 per cent. and 3 per cent. respectively was given by the Naig, or local chief. (Bruce's Annals, Vol. I, p. 267.) But apparently this fickle person had no sooner granted these privileges than, incited by presents from the Dutch, he began to plunder and oppress the new factory. To protect themselves the English fortified their buildings by the erection of twelve guns and the maintenance of a small body of twenty soldiers, and in 1628 the residents at Masulipatam, driven by the heavy exactions and obstructions to trade imposed by the local governor at that place, removed to Armagon.

The new factory proved to be far inferior as a centre for the collection of cotton cloths to Masulipatam and for that reason the English again returned and opened a trade there in 1630, under license from the local governor. Upon their return they found that the great famine which had desolated Surat was also laying waste the eastern coast. "The major part of the weavers and washers are dead, and the country almost ruinated. The live are eating up the dead, and men durst scarcely travel in the country for fear they should be killed and eaten." So the English factors reported.

In 1632 the position of the factory at Masulipatam was much improved by the grant of the "Golden Firman" by the King of Golconda, which gave the English liberty of trade in the ports of the King's dominions and fixed a limit of 500 pagodas per annum upon the amount of duties to be demanded of them. (The value of the pagoda was then probably equivalent to rather more than Rs. 4 or 9 shillings.)

It is probable that this lump sum was in lieu of the usual *ad valorem* duties. In 1643 a mission to the King of Golconda to obtain enlarged privileges for trade in his dominions was reported as successful, a firman being

granted for trade at different parts of the kingdom upon nearly the same terms as those of 1632. Thus, apparently, for an annual payment of 500 pagodas, the enlarged trade was franked at the various ports. (Bruce's Annals, Vol. I, p. 326.) It appears, however, in a letter from the Court of Directors in 1636, that these firmans were only obtained as the result of large sums spent in presents by the agent at Masulipatam. The new privileges in any case seem to have been productive of a larger and more profitable trade, as in 1636 the factors at Masulipatam reported that the country provided an investment in coast cloths to the extent of forty to fifty thousand pounds sterling each year. The difficulties with the local authorities nevertheless continued.

In order to obtain the necessary supply of cloths, the Company was in the habit of entering into contracts with native merchants and through them with the weavers. Funds were advanced to these merchants, or direct to the weavers, to enable them to carry out the work, and one of the chief difficulties experienced by the Company was to obtain delivery of the cloths contracted for, or repayment of the money advanced.

These difficulties were attributed to the interference of the Dutch traders, and the adverse attitude of the local authorities. In spite therefore of the firmans granted at short intervals by the King of Golconda, the agent of the English Company at Masulipatam continued to seek for some more suitable centre for the establishment of the Company's trade. This was at last found in 1639 at Madraspatam, close to the Portuguese station of San Thomé, where the Naig of the district offered to build a fort at his own expense if the English would settle there and gave permission that their trade should be exempted from all customs duties. The Company at once began the building of a fortification at its own

expense to which it gave the name of Fort St. George.

In 1642, Madras was recognized as the chief factory of the Company on the Coromandel Coast. The trade of the Coromandel Coast was steadily increasing. The coast cloths were sent in large quantities to the Archipelago to be exchanged for spices, and to Surat and thence to Persia where they found a ready market, while, in addition, a growing sale for them was being obtained in Europe.

The chief hindrance to trade lay in the disturbed condition of the country. There were frequent petty wars among the Naigs which interfered with the industry of the weavers and often threatened the security of the English factories. But these evils were intensified when in 1648 war broke out between the more powerful kings of Golconda and Visiapore. In that year as the result of the war the three principal towns at which the large proportion of Coromandel cloths were purchased were ruined. It was largely on this account that the agent and council at Fort St. George were constantly affirming the necessity for strengthening their factories. They pointed out that not only their own safety, but that of the native merchants and workmen who worked within the shelter of the Fort, were at stake. When, in 1653, war broke out between the English and the Dutch in Europe, the position of the English factories on the Coromandel Coast were subjected to still great dangers. Although wishing to develop a coasting trade with Bengal and Pegu, fear of capture at the hands of the Dutch ships rendered such undertakings extremely hazardous. The superior naval force of the Dutch brought the whole of the English trade in India to a standstill. In addition to these difficulties the London Company were faced with the probability that their privileges in England would be

withdrawn. The Merchant Adventurers, who were energetically petitioning for the trade to India to be thrown open, had actually sent out a number of trading expeditions which competed very severely with the trade of the London Company. Thus at the end of the first half of the 17th century the position of the Company's trade at Madras, as in Surat, was at a low ebb. The severe wars of the Indian rulers, the opposition of the Dutch, and the threatened withdrawal of the Company's privileges in England combined to render the outlook anything but hopeful.

In the next half century, however, the whole position of affairs improved and the position of the English trade was placed on a surer foundation. Before tracing the course of events which brought about this improvement we may turn to consider the beginning of the Company's trading enterprises in the third of their chief spheres of activity, *viz.*, in Bengal.

The Afghan kings of Bengal had been conquered and their territory brought within the Mughal Empire by Akbar in 1576. Although nominally ruled by the Emperor at Delhi the provinces of the lower Ganges lay at such a distance from the imperial court that the Viceroy, or Nawab, of Bengal exercised power not far removed from that of an independent sovereign. The history of the trade relations between the English and India in this part of the country is therefore closely bound up with the dealings between the Company and the successive viceroys.

The earliest attempt of the English to trade with Bengal was made by a party of merchants from Surat who are said to have reached Patna in 1620 by way of Agra. This attempt however was soon abandoned.

The so-called treaty of Sir Thomas Roe had included the ports of Bengal as places with which the Company

were to have liberty of trade and apparently the President at Surat obtained a firman in 1634 from the Emperor, Shah Jehan, granting to the English liberty of trade in the province of Bengal without any other restriction than that their ships should resort only to the port of Pipli.

The first opening of trade, however, was organised not by the factory at Surat but by that of Masulipatam. The grant of the "Golden Firman" in 1632, giving liberty of trade with all the ports in the territory of the King of Golconda, led the English at Masulipatam to send an expedition to develop the coast trade northward. Eight Englishmen set out in a native junk and reached Harishpur in 1633 and the English leader, Cartwright, obtained from the Muslim Governor of Orissa an order granting him liberty to trade and to export free of customs duties at any port of Orissa and to purchase ground upon which to build a business house at Harishpur. In the same year a factory was founded at Balasore to which latter place the agent at Masulipatam sent on a vessel just arrived from England with a cargo chiefly composed of broadcloth and lead as a means wherewith to open up trade. The English goods proved unsaleable and the founders of the new settlement mostly perished of fever, while the Portuguese from the Chittagong Coast and the Dutch from the Coromandel Coast attempted to crush at the outset any efforts on the part of the English to develop a trade in Orissa.

The settlement at Balasore dragged out a bare existence until in 1641 a ship belonging to the Company was ordered to go and bring away the remaining factors. That these orders were not carried out was due to the energy of Francis Day, the founder of Madras, who himself visited Balasore in 1642 and decided that it should not be abandoned on the ground that a regular and profitable coasting trade existed between the

Coromandel Coast and Bengal in which the Company might take part. Meanwhile Norris, one of the factors at Masulipatam, had been sent to the port of Pipli to take advantage of the firman granted by Shah Jehan and he reported that an indefinite quantity of fine white cloths could be purchased in Bengal suitable for the English as well as for the Persian and Southern markets. (Bruce's Annals, Vol. I, p. 327.)

In 1650 the Madras Council decided to utilise the port of Balasore for the purpose of sending cargoes in native boats along the coast to Hugli, where the Portuguese had built a factory more than a hundred years earlier.

The Mughal Government had destroyed the Portuguese settlement in 1632 and, at the time of the English arrival, Hugli was the chief seat of a considerable maritime trade on the part of native traders. A little higher up the river the Dutch had a factory at Chinsura. By the good offices of Gabriel Boughton, the surgeon to the Mughal Viceroy of Bengal, the English obtained, in return for presents amounting to Rs. 3,000, a licence for free trade in the province. A factory was founded in Hugli and a trade opened up in sugar, silks and saltpetre. But for the next few years the new settlements suffered from the general depression through which the affairs of the English Company were passing. They continued to struggle on however and before long took their place among the important trading stations of the English in India.

In reviewing the history of the East India Company during the first half of the 17th century we get a fairly clear idea of the nature of Indian manufacture and foreign trade at that time. The Company's trade with the East was to a large extent confined to dealings in five classes of goods. In the English market the

products most sought for were the spices from the Archipelago and the Spice Islands, the raw silk of Persia, and the saltpetre and indigo of India. No doubt a fair quantity of the finer cotton cloths, as also a small quantity of manufactured silk goods, were imported. A little cotton yarn to be used for candle wicks and things of that sort also came in. But for the most part the Company's purchases of cotton goods were made not for import into England, but for the markets of the further East and of Persia. India indeed possessed almost a monopoly in the manufacture of cotton goods, but there her manufacturing supremacy, so far as a place in foreign markets was concerned, came to an end; she had not even a considerable trade in silk goods. Raw silk as we have seen came chiefly from Persia and from China, while even in the first half of the 17th century, China supplied the greater part of the manufactured silk articles imported into England.

Of the volume of Indian foreign trade with Europe at that time it is impossible to form any close estimate. The value of the Indian products, exported annually by the Company from India during the first sixty years of its trade, cannot have averaged more than a hundred thousand pounds. While the trade of the Dutch Company with India was at this time probably at least as large as that of the English Company, the trade of the Portuguese was certainly smaller. Something must also be allowed on account of the commerce conducted by interlopers and private traders, but the sum total of such trade can only have been small. A small amount of traffic continued to be carried on by the overland route to Persia and Turkey. There is, however, no evidence to show that any very considerable volume of trade by sea was in the hands of native merchants.

The fact is that the people of India at that time obtained little by international exchange except precious metals to serve as money, or for use in the arts, together with a few articles of luxury enjoyed by the rich. These imports were in the main paid for by her export of cotton goods, supplemented by a small variety of raw produce such as pepper, indigo and saltpetre. India was thus economically almost entirely self-supporting. There was thus undoubtedly a considerable degree of variety in respect of the occupations of the people. In addition to the rude village craftsmen who supplied the simple utensils of the common people there were large numbers of weavers manufacturing for export who were to a large extent localised in particular districts.

The large revenues annually collected by the State, amounting in the Mughal Empire to some forty or fifty million rupees per annum, must also have helped to sustain a very considerable body of native artificers and craftsmen, producing the articles required for the luxurious life at the courts as well as for the equipment of the large standing armies then maintained. There is no evidence to suggest, however, that during this period of economic self-sufficiency the vast mass of the people enjoyed a standard of life more than sufficient for the bare necessaries of existence. The industries of the country while giving a bare living to the many, provided the wealth of a few middlemen, merchants and money-changers. For the rest the people were heavily taxed for the support of vast numbers of armed mercenaries and Government officials, who as unproductive members of the community must have constituted a heavy burden upon the industries of the rest. On this subject the testimony of Bernier, who describes what he actually saw, is eloquent. He says, "the country is ruined by the necessity of defraying the enormous charges required to

maintain the splendour of a numerous court and to pay a large army maintained for the purpose of keeping the people in subjection.

No adequate idea can be conveyed of the sufferings of the people."

In the best days of the Mughal Empire there was indeed a greater degree of prosperity than that of the previous era as also of the days which witnessed the decline of its power. But the reason for this relative prosperity must be found in the fact that it was on the whole a time of peace and good government and not from the character of its economic organisation or the extent of its internal industrial development.

CHAPTER III.

The Beginning of the Company's Territorial Power. 1661–1708.

In the course of the second half of the 17th century the history of the East India Company gradually takes on a new phase. During the first half of the century the policy of the Company had conformed very closely to the principles laid down by Sir Thomas Roe in 1616. Throughout that time the Company appears only in the rôle of a peaceful trading corporation, fixed in its determination to hold itself aloof from all projects of conquest and from participation in the internal conflicts waged by the various native rulers. In the pursuit of their trade the Company had established itself in the three principal centres of Surat, Madras and the banks of the Hugli. At its northern stations it had relied for security and the peaceful conduct of trade upon the good will of the Mughal Emperor, in return for which it had accepted, by implication rather than by express undertaking, the responsibility conjointly with the other European Companies for maintaining a safe passage for the pilgrims journeying from his kingdom to Mecca. In Madras a similar reliance had been placed upon the firmans purchased from the kings of Golconda, although the more disturbed state of that part of the country and the greater dangers of attack from the Dutch had forced them to maintain some small show of defence in the factories at Fort St. George.

In Bengal a beginning of trade had been made on the basis of purchased privileges and the Company had begun to share in the coasting trade between the ports of Bengal and Orissa and those of Madras and Pegu.

Although during the first half century of its existence the Company had frequently found itself hampered by lack of capital, by the competition of interlopers, by the early opposition of the Portuguese and still more by the dangers arising from the superior forces of the Dutch at sea, yet, despite these difficulties, its commerce had developed and its position as an important agent of trade had come to be recognized both in England and in India.

In the course of the second half of the 17th century the policy of the Company gradually underwent a change. Instead of keeping to its determination to confine itself to the function of trading merely, we find the conviction steadily growing, first among those in charge of the Company's affairs in India, and then among the directors in England, that the Company's position as a trading body involved the assertion of its position as a political power.

The reasons for this gradual change of policy were various. In England the Company, during the period of the Commonwealth, succeeded in winning a clearer recognition of its position and in obtaining a more determined support from the Government in its contests with the rival powers of Holland and Portugal.

In 1654 the Treaty of Westminster, which marked the conclusion of peace between the English and the Dutch, resulted in a temporary reduction of hostilities in Indian waters between the armed merchantmen of the two great trade rivals.

In the same year Cromwell's treaty with Portugal put an end to the exclusive claims of that country in the East based upon the Papal Bull of 1493. In virtue of this treaty the right of English ships to trade with any Portuguese possession in the East Indies was admitted.

In 1657 the long rivalry between the London East India Company and the Merchant Adventurers was terminated by the union of the two bodies.

The support given to the Company by Cromwell was continued after the Restoration by Charles II and in 1661 its powers were confirmed and enlarged by the grant of a new charter. By the terms of this charter the exclusive rights to the trade with India and the Far East enjoyed by the Company were reasserted and a new emphasis was given to the powers as a quasi-governmental body with which it was endowed. Among other things the Company was empowered to make peace and war with any princes and people, not being Christians; to administer justice within their own settlements; and to suppress the competition of interlopers by seizing unlicensed persons who might be endeavouring to trade within the limits of the Company's sphere and to send them back to England.

The Company, enlarged by its union with the Merchant Adventurers and its privileges secured by the new charter, naturally cherished the expectation of an increased and more profitable trade. A greater capital was subscribed than had at any time been previously commanded. The ordering of the Company's affairs in India was systematised by subordinating all the presidencies and factories to the general control of the president and council at Surat, while the factories and agencies upon the Coromandel Coast and in Bengal were placed under the immediate supervision of Fort St. George which had been raised to the position of a presidency in 1653.

While the position of the Company was thus strengthened, both politically and economically, in England, the course of events in India gradually led to the conviction that its trading prosperity was dependent upon

its own powers of defence. It was far from the intention of the Company to aim either at conquest or sovereign power. Neither in England nor in India was such a course contemplated. But the agents of the Company gradually became convinced that they could rely upon native authorities neither for the protection of their property nor the fulfilment of their trading agreements, while repeated experience had shown the danger of attack from the armed forces of the rival European traders.

Thus while the Company's trade and property in India were increasing the security necessary for the maintenance of both was wanting. Throughout Aurangzeb's reign, which began in 1659 and ended in 1707, the country was scarcely ever free from a state of war and although the bounds of his empire were greatly extended, yet his territory was repeatedly invaded and Surat itself was more than once successfully plundered.

In Bengal the Imperial Viceroys virtually threw over their dependence upon the Emperor and the administration of the province frequently fell into the hands of tyrannical officials who did not scruple at levying all sorts of exactions from the native and European traders alike.

On the Madras Coast internal war no less than the continued opposition of the Dutch forced the Company to take into its own hands the responsibility for the defence of its property.

Faced in each of its chief settlements by these growing dangers the Company at length decided that a policy of purely peaceful trading must be modified and that its commerce would in future have to be conducted from settlements capable of adequate defence and subject within their limits to the administration of the Company's laws. Although, as has been stated, the political conquest of the country was as far as ever from

the Company's intention, the modification of policy that occurred during the latter half of the 17th century nevertheless marks a stage in the evolution of the position of the English in India, the ultimate consequences of which were not fully worked out until a hundred years later. The main course of events in the history of the Company's trading relations with India at each of its three chief spheres of activity during the second half of the 17th century may now be briefly recounted.

The enlarged capital obtained by the Company on its union with the Merchant Adventurers and the new confidence in the prospects of trade which attended the grant of the new charter led to a considerable increase in the Company's investments and to various projects for the extension of commerce in the Far East.

The English had hitherto suffered in various ways in their competition with the Dutch on account of the smaller volume of trade which they had been able to sustain. The Company which controlled the largest volume of trade naturally enjoyed a greater prestige, was better able to obtain the services of the leading native merchants for the disposal of imports, and was equally able to purchase the native products such as cloth, indigo and saltpetre to greater advantage. It therefore very naturally became the ambition of the English Company, now that their prospects were improving, so to extend their trade as to be able to command the most effective channels for the purchase and sale of goods. Such a course appeared the more necessary in view of the appearance of a new and energetic rival in the shape of the French East India Company.

After a number of abortive attempts to develop an East Indian trade the Campagnie des Indes was formed in 1662 and received powerful encouragement from the famous French minister of commerce, Colbert. The Company

was granted a charter and exclusive privileges for fifty years. It was exempted from all taxation. The Government was to be responsible for all losses for the period of ten years and, further, advanced one-fifth of its capital. The French Company established itself at the Isles of France and Bourbon, later known as the islands of Mauritius and Reunion. The first Indian factory of the French Company was established at Surat in 1668 and in the following year a firman was obtained from the King of Golconda permitting a factory to be established at Masulipatam with the right to trade in his dominions free of import or export duty.

In 1672 the French Company attempted to conquer the ports of Ceylon from the Dutch, but was unsuccessful. It secured however the conquest of St. Thomé on the Coromandel Coast, only to be expelled by the Dutch two years later.

In 1675 the remnant of the French settlement at St. Thomé founded Pondicherry and there soon succeeded in developing a considerable trade in piece-goods. The village of Chandernagore was ceded to the French Company by Aurangzeb in 1688 and became the centre of their trade in Bengal.

With the aid of a large fleet and in co-operation with Aurangzeb's forces the Dutch in 1693 drove the French from Pondicherry, but it was restored to their possession in 1697 by the terms of the Peace of Ryswick. So far the French had proved eminently unsuccessful as a trading body, but in the course of the second half of the 17th century they came to be regarded as the chief competitors with whom the English Company had to reckon.

In their plans for the pursuit of an enlarged and more active trade one anxiety constantly occupied the minds of the president and council of the English

Company at Surat, *viz.*, the uncertainty and insecurity of their position in that city.

In 1661 the Company had been subjected to heavy demands from the local governor for the payment of debts due by the Merchant Adventurers although they had been incurred before that body had been united to the London Company. Only a few years before the town had been plundered by the forces of Darah during the civil war between him and Aurangzeb. In 1663 Surat was again attacked by the Marathas under Sivaji. The native governor shut himself up in the castle, while the inhabitants fled, either in boats, or into the surrounding country. The English president, Sir George Oxenden, and the Company's servants temporarily fortified their factory and summoned the crews of the English ships in the harbour to aid in its defence. They succeeded not only in preserving the factory, but the town, from destruction, although Sivaji carried off immense booty. In return for these services Aurangzeb granted an exemption from the payment of customs duties for one year, a grant which was followed in 1667 by a firman permanently reducing the rate of customs duty payable by the English from $3\frac{1}{2}$ per cent. to 2 per cent. It would seem, however, that this favour only placed the English in the same position as was already enjoyed by the Dutch. (Bruce's Annals, Vol. II, p. 217.)

It is not surprising that in the light of these events Sir George Oxenden, unable to take the necessary steps to protect the factory at Surat, should have urged the necessity of seeking some sphere outside the Mughal dominion in which adequate measures might be taken for the defence of the Company's servants and property from attack as well as from the constant petty exactions imposed by the local governor.

The opportunity which the Company sought was afforded in 1668 when the island of Bombay, which had been recently ceded to England by the Portuguese, was made over to the East India Company by the Crown upon payment of the nominal rental of £10 per annum. The island as it was left by the Portuguese was in a wretched state and as soon as the Company obtained possession of it, extensive plans were made for its defence and for encouraging the growth of its trade. The island was declared to be an asylum to all merchants and manufacturers who might be disposed to place themselves under English protection. Houses were erected to accommodate the weavers who were encouraged to settle there and for whom the Company undertook to provide looms.

For some time the affairs of the Company's new possession were anything but prosperous. The mortality among the English settlers was enormous. Three years was said to be the average duration of a European's life. Serious trouble, assuming the character of open rebellion, occurred between the King's forces and the authorities of the Company who had taken them into their service. But Aungier, who succeeded Oxenden as president at Surat in 1669, threw his whole energies into the task of transforming Bombay into a shipping and trading station fully equipped for defence. Coast defences were erected as a protection against the Malabar pirates and the main fortress equipped with both heavy and light guns. All landowners were compelled to serve as militia which numbered six hundred men in 1677, to which was added four hundred regular infantry.

These measures for the development of the Company's new possession placed a considerable strain on the available resources. The existing revenue of the island was quite inadequate and it was found necessary to levy increased taxation. A general import duty of 2½ per cent.

was thus imposed, with a further 1 per cent. to defray the expenses of fortification. Upon exports a general rate of $3\frac{1}{2}$ per cent. was charged, but upon the produce of the island such as cocoanuts, salt, fish, etc., an export duty of 8 per cent. was levied, as also upon the import of Indian tobacco and Indian iron.

That Aungier's measures to strengthen the defences were effective is shown by the fact that in 1673 the Dutch fleet attempted to surprise the island, but deemed its defences too strong and eventually withdrew.

Two other enemies had also to be reckoned with. The Malabar pirates were a scourge to the coasting trade along the whole of the south-west seaboard, but by means of a cruiser and light frigates, Aungier kept them from interfering with the new settlement. At the same time the growing power of the Marathas was a constant source of danger.

The success of Aungier's plans for defence no less than the arrangements for the internal improvement of the island and for the encouragement of merchants and craftsmen soon resulted in a rapid increase in the population. Aungier, indeed, did not neglect the development of Bombay as a trading centre, but his chief energies were devoted to the creation of a sphere within which the Company could safely withstand the attacks of its enemies. In 1677 he boldly wrote to the directors that "the times now require you to manage your general commerce with your sword in your hands." The English directors, however, were not yet prepared to support the new policy and for some years the waters of Bombay became the battle-ground for the conflicting navies of the Marathas and the Mughals, while the English were forbidden to interfere.

Meanwhile the condition of affairs at Surat continued to strengthen the determination of the Company to make

Bombay the principal centre of its trading activities on the west coast. In 1670 large presents were exacted from the Company for the maintenance of the Mughal forces which had arrived to repel a threatened attack by Sivaji. Sivaji nevertheless successfully besieged the city and compelled the English once more to defend themselves in their factory, which they did with success, although not entirely without loss.

In 1680 Aurangzeb issued an order imposing a heavy contribution upon all his subjects and among others upon the European factories at Surat for the support of his troops. This contribution the factory refused to pay on the ground that it was contrary to the grants and privileges which they had received. Upon this, Aurangzeb ordered that they should again pay the old rate of customs duty of 3½ per cent. instead of 2 per cent.

The dangers to which the Company was exposed from the attacks of the Marathas no less than the frequent exactions made by the Mughal officials seem at last to have impressed the directors in England with the necessity of following Aungier's advice to take their sword in their hands in order to enforce the recognition of their position and privileges.

In 1684 orders were given that Bombay should be defended by troops, fortifications, and armed vessels to be stationed in the harbour.

In a letter from the Court in this year it is said "although our business is only trade and security, not conquest, which the Dutch have aimed at, we dare not trade boldly nor leave great stocks where we have not the security of a fort."

Instructions were sent for the removal of the Company's seat of Government from Surat to Bombay. Henceforward Bombay was to be the centre of an independent British power in India. The Company were no longer to

rely upon imperial orders and privileges purchased from local authorities while seeing their trade and property constantly imperilled as a result of the wars in which Aurangzeb was continuously engaged.

For a long time the English Company had contended at a serious disadvantage with the Dutch by reason of the superior forces both on land and sea which the latter commanded. It is true that the maintenance of these forces was said to have eaten up the trading profits of the Dutch Company and for this reason the English Company had refrained from imitating them. Now the English directors decided to follow the example of the Dutch and saw in their possession at Bombay a centre from which an armed power might be directed which could, in case of need, assert its force even against the Mughal Emperor himself. If such an extension of their power proved a burden upon their trade profits it would be necessary to find a new source of income in the shape of territorial revenue. "The object of our revenue is the subject of our care as much as our trade: 'tis that must maintain our force when twenty accidents may interrupt our trade: 'tis that must make us a nation in India: without that we are but as a great nation of interlopers, united by His Majesty's royal charter, fit only to trade where nobody of power thinks it their interest to prevent us; and upon this account it is that the wise Dutch in all their general advice which we have seen write ten paragraphs concerning their Government, their civil and military policy, warfare and the increase of their revenue, for one paragraph they write concerning trade." So wrote the directors in 1689.

While the chief manifestation of this new policy was seen in Bengal it showed itself in the west in the presentation of a statement of grievances to the Governor of Surat for which the Company desired

redress. This statement contained thirty-five articles including, among others, satisfaction for stoppage of goods at the custom house, for the obstruction of investments, for the refusal to deliver up interlopers and their ships, for the raising of customs from 2 to $3\frac{1}{2}$ per cent., for the refusal of permission to coin money, for the imposition of arbitrary taxes, and the seizure of forces and goods for the Mughal's use without paying for them. As a means to enforce the demands of the Company Sir John Child, the Governor of Bombay, proceeded to seize a number of Mughal ships which were only to be released upon the grant of the terms demanded. The native Governor of Surat in order to gain time expressed his willingness to comply, but shortly afterwards revealed his true intention by imprisoning the members of the English factory and confiscating the Company's property. The weakness of the English position was then exposed, for they were wholly unable to encounter Aurangzeb's forces on land and were equally unwilling to abandon their trade in his dominions. In the midst of these troubles Sir John Child died.

The brave intentions of imposing its will upon the Mughal power in the west were ignominiously abandoned and after a few weeks a firman was accepted from Aurangzeb in which the Company was declared to be pardoned and allowed to resume its trade on the same conditions as formerly upon consenting to pay Rs. 1,50,000 as a fine for the damage done. So far the attempt to emulate the "wise Dutch" was anything but successful. The directors, evidently discouraged at the result of their sudden outbreak, returned to a policy of conciliation. The forces at the disposal of the Company in Bombay, never numerous, were allowed to diminish, while economy in the upkeep of the fortifications was more observed than efficiency.

Towards the end of the 17th century circumstances developed which for a time seriously depressed the position of the Company as a trading body in Western India. Despite the powers which it possessed to deal with the competition of private traders and interlopers the activity of this class not only greatly increased, but developed in a new and more alarming shape.

In England opinion was becoming more and more favourable to the opening of private trade to the East. It was complained that the Company did not sufficiently stimulate the export of English manufactures or keep the home markets sufficiently supplied with Indian goods. Thus parties of private traders found it comparatively easy to fit out expeditions although in violation of the Company's privileges. In Bengal any interloping ship was apparently allowed to trade by the native authorities on condition of paying Rs. 3,000 for permission to make sales and purchases for each ship. (Bruce's Annals, Vol. III, p. 415.) For a time the Company itself gave facilities for a certain amount of private trade through their system of licensing what were known as "permission ships." Although the charter of the Company was renewed in 1693 with privileges as before, subject only to the condition that English manufactures should be exported annually to the value of a hundred thousand pounds, yet Parliament declared in the following year that "it was the right of all Englishmen to trade to the East Indies or any part of the world unless prohibited by Act of Parliament."

While the competition of the ordinary interloper was thus encouraged the position of the Company was far more seriously threatened by the serious increase of piracy. Ships sailing under the English flag and commanded by English pirates not only frequently appeared at the Indian ports demanding the privileges of

trade, but devoted themselves still more actively to the seizure on the high seas of valuable ships belonging to the rich native merchants of Surat and also attacked and plundered the vessels carrying the Mughal pilgrims to Mecca. The depredations of these pirates, of whom Captains Kyd and Avery were most notorious, were commonly made the occasion for an outburst of popular fury against the servants of the Company. The Indians were unable to distinguish between the pirates sailing under English colours and manned by an English crew and the regular peaceful traders belonging to the Company.

In 1696 the native governor was forced to imprison the members of the English factories at Surat in order to preserve them from the anger of the populace and for several years the trade of the English, as well as of the other European Companies, was placed under an embargo by order of the Emperor until compensation for the losses inflicted by the pirates should be paid. The embargo was only irregularly enforced, but it greatly interrupted trade, especially at Surat.

Meanwhile the trend of opinion in England in favour of an open trade took definite shape in 1699 in the passing of an Act accepting the offer of a number of private merchants to lend to the Government a sum of two million pounds at 8 per cent. in return for the right to carry on trade with India under the title of "The General Society trading to the East Indies." A few days later the new body was incorporated by charter as an exclusive Company under the title of "The English Company trading to the East Indies," while the old Company was to be permitted to continue its trade only until September, 1701. The appearance of this powerful rival stirred the directors of the London Company to great activity. Sir John Gayer in Bombay was instructed

to obtain a new firman confirming the privileges to the old Company regardless of expense. A King's fleet under Commodore Warren was despatched to suppress the pirates and ships carrying a stock for investment of the value of five hundred and twenty-five thousand pounds were fitted out for the purpose of increasing the Company's trading operations. Meanwhile, the English Company sent out a number of representatives, of whom Sir Nickolas Waite was the chief, to India to establish a trading organization on behalf of the new Company, while Sir William Norris, with the title of Ambassador of the English nation, was entrusted with the negotiation of trade privileges with Aurangzeb. The result was a period of complete confusion and uncertainty in which the only gainers were the high native officials who received a succession of heavy bribes, first from one side and then from the other, as a means to obtain their support in the negotiations for trading privileges. The nature of the privileges sought by the English Company may be gathered from the petition presented to the Mughal by Sir William Norris in which he asked for liberty of trade and to settle factories in any ports in the Mughal's dominions; to have free ingress and egress for himself and council without search; to have licence to hire or build a house and warehouses; to pay only 2½ per cent. customs at Surat, to have goods valued at prime cost and not to pay additional duty on exportation from Swally; that the governors of provinces should be responsible if the Company's goods were robbed in their passage to Surat; that liberty should be given to coin silver in the King's mint; that the Governor of Surat might have powers to compel the payment of all debts due to the Company; that the consuls of the Company should be allowed flags, palankeens and other emblems of authority; and that

all disputes between the natives and English subjects should be settled by the Governor and the Company's consul.

The agents of the English Company succeeded in developing a certain amount of trade, but found themselves unable to compete on equal terms with the London Company. The effect of the competition was to flood the English markets with Indian goods and thus to depress prices, while their cost in India was much enhanced. The subscribers to the new Company soon found that the possession of their privileges was less profitable than they had expected. The value of their stock fell considerably below par. It appeared that after all the prudent course would be to amalgamate with the old Company and after a period of ten years the struggles between the two rivals were brought to an end by their amalgamation in 1708 under the title of the United Company of Merchants.

The difficulties of the old Company, however, were not confined to the rising competition emanating from England itself. The French Company had seized the opportunity presented on the one hand by the hostilities between the English and the Mughal and on the other by the difficulties with which the English Company was beset in England to strengthen its hold on the Indian market. Already the turn of events was approaching which was in the course of the next half century to lead the English and the French to struggle for mastery in the East. In 1690 the Governor of Bombay was informed that England had declared war against France and a commission was sent to the Company to seize and make prizes of French goods and shipping, while the president of Fort St. George was directed to take Pondicherry if the possession of that port appeared likely to contribute to the safety of the Company's settlements

and trade. Henceforward the struggle in India between the English and the Dutch became of less and less importance, while the conflict between the French and the English increased and led perhaps more than any other single cause to the eventual establishment of the English as the governing authority of the country.

We may now turn to give a brief account of the development of the Company's position in Bengal. It has already been mentioned that in return for a payment of Rs. 3,000 a license had been obtained in 1651 from the Nawab, Sultan Shuja, granting the privilege of free trade to the members of the Company. This license appears to have been lost on its way to Madras, but in 1656 a new license, or nishan, was issued. This nishan recalls the fact that by the imperial firman the Company's goods were customs-free all over the empire. It then refers to the complaints brought by the English regarding interference with their trade. In the first place, the local governors were said to demand the English goods at their own prices on pain of forbidding the country merchants from dealing in them. In the second place, the customs officials were accused of demanding a 4 per cent. duty on all goods imported or exported.

The nishan then proceeds to order that the factory of the English Company be no more troubled with demand for customs for goods imported or exported by land or by water, nor that their goods be forced from them at under-rates, but that they should be free to buy and sell without impediment. (Stewart's "History of Bengal," p. 538.)

In 1664 Shaista Khan became Nawab of Bengal and he continued throughout his rule to seek his own enrichment by means of heavy exactions upon the industries and commerce of the province. At first he confirmed, in return for an appropriate present, the privileges obtained by the

Company from his predecessor. The Company's goods were declared to have the right to pass customs-free without any let, impediment or demand whatever. This order was not long observed and in 1672 the Company complained that their boats laden with saltpetre were being seized, that their trade was repeatedly stopped until blackmail had been paid and that the customs officers demanded the same duties from the Company as were paid by the Hindu traders.

The Company's trade in Bengal had been steadily increasing. In addition to the principal factory at Hugli, there were branch establishments at Balasore, Kasimbazar, Dacca, Malda and Patna. When the merchandise and bullion sent out from England to Bengal was not sufficient to purchase a full investment of goods the factors were authorised to increase their capital by borrowing at interest from the native merchants. That the trade of Bengal was fast expanding is shown by the fact that the investment, which amounted in 1674 to £85,000, had risen in 1680 to £150,000 and reached £230,000 in the following season. The principal purchases for export to Europe consisted of silks and taffetas of fine quality and saltpetre. Purchases of white sugar, cotton yarn, turmeric and beeswax were added when funds allowed. With these favourable opportunities for an expanding trade it was natural that the Company should view with considerable resentment the departure on the part of Shaista Khan from the terms of his agreement. It may appear as if the Company had no equitable claim to the exemption from the payment of duties which were demanded of the native traders. Their exemption, however, rested upon more solid grounds than the mere money presents which, from time to time, were made when obtaining renewal of their privileges. It has been seen that no

only in the Mughal Empire, but among the lesser rulers in the different parts of India, a general desire had always been shown to encourage the presence of the Company as a means to promote foreign trade. Such trade was recognized as a source of advantage, not only in stimulating the demand for native products, but as a means whereby to obtain the bullion and imported merchandise in exchange. The Company brought an active body of traders who thus contributed to the economic prosperity of the country and in particular maintained a volume of shipping which it was quite beyond the power of the native traders to command. The grant of preferential customs duties to the European trading companies may find a justification as being in some measure an offset to the heavy expenditure upon the upkeep of factories and of ships which that trade involved. The preference was thus not so much a discrimination between the members of the Company and the native merchants engaged in internal trade as between the members of a Company upon whom fell the heavy supplementary expenses connected with the maintenance of their trading establishments and those interlopers, who followed in the wake of the Company, who were unburdened by similar expenses and responsibilities.

The particular importance of the trade privileges arose not so much on account of the saving consequent upon the exemption from duty, as because of the freedom gained from the delay and petty exactions at the hands of local customs officials which were the inevitable consequence of a commerce which was subject to the ordinary internal duties of the country. It was for this reason that the right for their goods to pass customs-free without let, impediment or demand was regarded by the Company as a vital

condition for the conduct of its trade and, having obtained the grant of this right, it is easy to understand the resentment of the Company at finding it constantly infringed.

From an account of the conditions under which commerce was carried on at Hugli, written by Clavell in 1676, it is at once clear to what an extent the governing authorities preyed upon the trade of the country.

The work of collecting the different forms of revenue belonged properly to officers in the service of the Diwan, acting on behalf of the Emperor. While the imperial revenue officials continued to exist and perhaps in certain ways to carry on their task of revenue collection they were, under Shaista Khan, completely overshadowed by a second set of officials who made collections on behalf of the Nawab who were said "to oppress the people, monopolise most commodities, and make heavy demands of all those engaged in trade." A favourite practice appears to have been to compel the Hindu merchants of Hugli to receive advances from the Nawab to be employed in trade for which they were compelled to pay as much as 50 per cent. interest per annum. Another device by which the Nawab sought to enrich himself was by direct participation in trade. Using his authority to buy in gross at arbitrarily low prices, he then compelled the merchants to take the goods off his hands at handsome profits.

In 1677 Shaista Khan temporarily vacated his office as Nawab and the Company once more purchased exemption from duties from his successor for a payment of Rs. 21,000. (Stewart's "History of Bengal," p. 191.) But in 1679 Shaista Khan returned and the Company, anxious to protect itself from a further violation of its privileges, obtained in 1680 a firman from Aurangzeb himself which exempted the English from the

payment of customs duties at all places within his empire except Surat.

This at least was the interpretation placed upon the firman by the Company. It has in its favour the terms of the earlier firmans which had declared that customs duties should not be demanded of the English at any place in the Mughal Empire except Surat. Shaista Khan himself had issued an order in 1672 in which he commanded all local officers in Bengal and Orissa to observe the imperial firmans, stating "that whatever goods the said Company shall import from Balasore or any other place near the sea side, up to Hugli, Kasimbazar, Patna or any other place in these two kingdoms, as also what saltpetre or any other goods they shall export from Patna, or any other place to Balasore, or any other port to the sea, that you let them pass custom-free without any let, impediment or demands whatsoever." Shaista Khan, however, declared that by Aurangzeb's firman of 1680, a customs duty of 3½ per cent. was imposed on the English trade throughout the Mughal Empire. The question of interpretation as between the Nawab and the Company turned on a matter of punctuation. The important passage in the firman is as follows: "To all present and future rulers in Surat that remained in hopes of the Emperor's favour, be it known that it is agreed of the English nation besides their usual customs of 2 per cent. for their goods, more 1½ per cent. jizia shall be taken. Wherefore it is commanded that in the said place . . . 3½ per cent. of all their goods on account of custom or poll money be taken for the future. And at all other places, upon this account, let no one molest them for custom." The Indian officials declared that "they did not stand upon points," and by removing the full stop immediately before the words "and at all other places" and placing it at the end of these words the firman

became an order imposing a $3\frac{1}{2}$ per cent. customs duty throughout the Empire.

Although Shaista Khan professed to Hedges, at that time the Company's governor in Bengal, to accept the English view, yet the customs officials at Hugli and elsewhere continued to impose the $3\frac{1}{2}$ per cent. duty upon all their traffic.

Not only was the duty levied, but the Company's traffic in saltpetre was constantly interfered with. Feeling that his position in the town of Hugli was insecure the English agent requested permission to fortify a factory nearer the mouth of the river. The request was refused. We now come to the time when the marked change of policy on the part of the directors, to which we have previously referred in connection with Surat, also found expression in relation to the affairs of Bengal. The conduct of Shaista Khan had been constantly referred to in the correspondence between the agent at Hugli and the directors in England and it was decided in 1684 to send out an armed expedition against the Nawab for the purpose of enforcing the recognition of the Company's privileges. Six companies of infantry were embarked upon ten vessels, each carrying from twelve to seventy guns, and instructions were given to the commander of this force that he should first take on board the Company's servants from the Bengal factory, that he should proceed to make war on the Mughal ships at sea, and then capture and fortify a stronghold at Chittagong. He was then to proceed in force to Dacca and demand from the Nawab the performance of the imperial orders. These brief plans were conceived in a simple ignorance regarding the magnitude and the difficulties of the task to be undertaken. Nevertheless the expedition had an important bearing upon subsequent history. After encountering many difficulties

at sea and losing a large portion of their numbers by disease the force, now reduced to two ships and three hundred and eight soldiers, entered the Hugli river in 1686. Charnock was the Governor of the factory at Hugli. The Nawab sent a force of three or four thousand men to surround the factory and a fight followed in the course of which the native troops were beaten off. Charnock, aware of the dangers of remaining at Hugli with the small garrison at his command, embarked the goods and servants of the Company and removed to what he hoped might be a place of safety lower down the river. The spot chosen was the sight of modern Calcutta consisting then of the three hamlets of Sutanati, Kalikata, and Govindpur. They were followed by the Nawab's army and Charnock decided to seek refuge still further down the river. Landing at Hijili they soon found themselves besieged and cut off from supplies, but the besiegers were successfully resisted and a truce finally agreed upon with the Mughal general. Charnock received permission to stay where he was, or to resettle in the town of Hugli, but he decided that neither was safe and returned in September 1687 to the site of Calcutta. Here he remained for a year where he began to build a factory and enter into negotiations with the Nawab. In 1688 Heath arrived in charge of a second expedition from England, charged to take all the Company's servants from Bengal and proceed to capture Chittagong. Charnock and the remnant of his men embarked and Heath set sail for Chittagong, but upon arrival found the conquest of the place considerably beyond his strength and finally, in 1689, set sail for Madras.

In 1690 the hostilities between the English and the Mughal Emperor came to an end with "the most humble submissive petition" in recognition of which Aurangzeb had granted his firman for a renewal of trading privileges.

A copy was sent to the new Nawab of Bengal who once more declared that the Company should have free trade in return for the old payment of Rs. 3,000 a year. Charnock thereupon returned a third time to the swamps of Sutanati where he and his followers dwelt for a year in tents, huts and boats. But this time they had come to stay and within ten years Calcutta had become a trading centre with twelve hundred English inhabitants. From this time the position of the Company in Bengal enters upon a new phase.

In 1696 a powerful zemindar of Burdwan, with the aid of an Afghan force from Orissa, broke into rebellion against the Nawab. During the resulting disturbances the three European settlements in Bengal belonging to the Dutch, the French, and the English received permission to defend themselves and rudimentary fortifications were constructed at Chinsura, Chandernagore, and Calcutta. Thus the right of the English to maintain a force for their own protection was tacitly admitted.

In 1698 the Nawab, Azim-U-Shan, in return for a gift of Rs. 16,000, granted the English permission to purchase the zemindary of the three villages of Sutanati, Kalikata, and Govindpur. Thus in addition to their trading funds they secured a certain revenue from the lands within their zemindary as well as from the other taxes imposed upon the inhabitants.

Although unwilling to make a show of force such as would attract suspicion on the part of the native rulers, the Company nevertheless proceeded to strengthen their settlement by the building in 1699 of Fort William.

It was reported by the president in 1701 that the fort had been made sufficiently strong to ward off any attack by the Country Powers, a curious statement in the light of future events.

In one respect the Company's new position as zemindar rather added to the liability of having monetary demands made upon it by the native authorities. Thus, when a new Subah of Bengal was appointed in 1701, he presented to the Emperor thirty lakhs of rupees and divided a similar sum among the principal officers and ministers of the Imperial Court. This large sum was, of course, obtained by means of additional impositions upon the inhabitants of the province and the English factory was requested to make a present towards the amount required.

CHAPTER IV.

The Break-up of the Mughal Empire: 1708—1765.

In the course of the preceding chapter we have seen the East India Company gradually extending and consolidating its position as a trading body despite the keen rivalry of the Dutch and the French and the growing competition of interlopers and private traders, to say nothing of the frequent interruptions to commerce resulting from the internal wars between the native rulers and the uncertain enjoyment of its trading privileges occasioned by the corrupt character of the native government.

At the beginning of the 17th century the Company possessed factories dependent on the presidency of Bombay at Surat, Swally, Broach, Ahmedabad, Agra and Lucknow, and forts and factories on the Malabar Coast at Carwar, Tellicherry, Anjengo and Calicut. Dependent upon Fort St. George were Fort St. David, and the factories at Cuddalore, Portonovo, Pettipoli, Masulipatam, Madapollam and Vizagapatam. Dependent upon the presidency of Fort William were the factories at Balasore, Kasimbazar, Dacca, Hugli, Malda, Rajmahal and Patna. Outside India the Company also possessed factories in Persia, in the island of Sumatra and at Tonquin.

We have also seen the growth of the conviction on the part of the Company that the security of trade at these stations as well as the safety of the persons engaged in it rendered it necessary to possess in each of its principal centres a certain extent of territory subject to its own jurisdiction and defended by fortifications and

troops capable of resisting attack from the Country Powers. First at Fort St. George, then in the island of Bombay, and finally at Fort William such territory had been obtained, although in Bengal the position of the Company as a territorial proprietor was still only that of a zemindar subject to the sovereignty of the native ruler. Although the Company had in a moment of exaltation talked of rendering itself a power in India, nothing further was really intended than the maintenance of such modest forces as should suffice for the security of property and the recognition of its trading rights. During a little more than half a century from the death of Aurangzeb, however, events occurred which virtually placed the Company in the position of a sovereign power over a considerable part of the country leading to the exercise of a determining voice in its government. It does not fall within the scope of this essay to trace the course of political events, or of the Company's wars, in India except in so far as is necessary to understand their effect upon economic affairs

It is of the first importance, however, from the latter standpoint to appreciate how completely after the death of Aurangzeb the country was given over to the conflict of rival factions and the ravages of invading hordes. To every man of ambition there was presented an opportunity for wresting power and profit for his own advantage through the instrumentality of mercenary troops. But throughout the fifty years preceding the Battle of Plassey there was no sign that out of this chaos there would emerge a ruler capable of giving peace and unity to India. For that the country had to wait until the trading Company of East India merchants had risen above the quest of gain upon which they had set out to undertake the infinitely more difficult task of governing the country.

In order to afford some idea of the events leading up to this profound change a brief account of the break-up of the Mughal Empire must be given.

At Aurangzeb's death in 1707 his authority ran with greater or less effect throughout the whole of Northern India from the West Coast to Bengal, as well as in the Deccan and the Karnatic in the south. But the bonds of this empire were very loosely knit. The Viceroy of Bengal in a large measure acted as an independent sovereign. In the south the subordinate Hindu princes were only awaiting the death of the Emperor to attempt to throw off the Mughal yoke; while the Marathas had for years been a thorn in the side of Aurangzeb and were making successful marauding expeditions far and wide. Aurangzeb had intended that after his death the empire should be divided between his three sons, Muazzim, Azim Shah and Kambuksh. To the eldest he destined the northern and eastern provinces, with the title of Emperor. To Azim were to go all the provinces of the south and south-west, including the Deccan, with the exception of the kingdoms of Bijapur and Golconda, which he left to Kambuksh.

The brothers, disregarding the will, at once threw the country into a state of civil war, each seeking to secure the empire for himself. In the result the eldest son, Muazzim, defeated and slew his two brothers in succession and established himself as Emperor under the title of Bahadur Shah. No sooner had he thus succeeded than a formidable outbreak on the part of the Rajput princes of Udaipur, Jaipur, and Marwar led to the establishment of their independence in all but name. This was at once followed by a Sikh rebellion in the Punjab, which was only partially suppressed when Bahadur Shah died in 1712.

His four sons immediately disputed for the throne. After the second son, Azim-U-Shan, had been slain in

battle, the eldest, by the aid of Aurangzeb's old general, Zulfikar Khan, was proclaimed Emperor under the title of Jehander Shah. Although most of the possible claimants to the throne were then seized and murdered, one, Farukh-Siyyar, escaped. With the aid of Hussain Ali and Abdulla, the Governors of Bihar and Allahabad, he defeated and put to death both Jehander Shah and Zulfikar and was proclaimed Emperor in 1713. He was, however, ruler only in name, the two Sayyids really retaining the power in their hands. Soon after the accession the Sikhs again broke into rebellion, but suffered defeat, while the Marathas were successful against an army sent from Delhi for their suppression and concluded a peace which, among other things, gave them not only the *Chauth*, but the *Ser Dasmuk*, or an additional tenth of the whole remaining revenue of the Deccan. In 1719 the Sayyids put the Emperor to death. Three puppet Emperors were created in rapid succession, of whom the first two died within six months, the third reigning under the title of Muhammed Shah. In the same year Nizam-Ul-Mulk, originally governor of the Deccan, who had been removed by the Sayyids to the insignificant government of Moradabad, broke into open rebellion, and with the assistance of the Marathas virtually established himself as master of the whole Deccan. In 1722 Muhammed Shah succeeded in bringing about the downfall of the Sayyids, one of whom was murdered and the other imprisoned, but only used his new-found liberty to surround himself with youthful and wholly incompetent ministers and to provoke the powerful Nizam-Ul-Mulk to a more determined opposition. In 1724 the Marathas were once more ravaging Malwa and Gujerat, the former province being surrendered to the Peshwa in 1734. The success of the Marathas under Bajee Rao, who actually appeared with his army

before the gates of Delhi, caused Nizam-Ul-Mulk to fear that they might eventually succeed in threatening his position in the Deccan. Nizam therefore offered at this point to put his army at the service of the Emperor for the reduction of Bajee's power, but the Marathas by laying waste the country and cutting off his supplies compelled the Nizam's forces to retreat and eventually a peace was concluded by which all the demands of the Peshwa were conceded and he received five hundred thousand pounds in sterling.

At the very time that the Marathas were thus strengthening their power and successfully defying the imperial army a new enemy made his appearance in the person of the Persian monarch Nadir Shah who in 1737 captured Kandahar, from whence he advanced in 1738 across the Indus into the Punjab at the head of a large army. Quickly overcoming the feeble resistance of the Mughal troops, Nadir Shah entered Delhi as a conqueror in 1739. An attempt on the part of the Mughal's followers to massacre the Persian soldiers brought about a terrible retaliation and for a whole day the city was given up to slaughter at the hands of the infuriated Persian army. After holding the city for fifty-eight days, Nadir Shah left Delhi in a state of complete desolation, carrying off money, plate and jewels variously estimated at a value of from thirty to sixty million pounds sterling. Scarcely had Nadir withdrawn than there began a series of Afghan invasions accompanied by pillage and slaughter of the most terrible character. In 1738 the province of Kabul was severed from Delhi and in 1752 the Punjab was ceded to the Afghan, Ahmed Shah Dooranee. Meanwhile Muhammed Shah died in 1748 and was succeeded by his son under the title of Ahmed Shah. This miserable monarch, unable to defend himself, was forced to call in the aid of the Marathas as the only means of

driving off yet another enemy in the shape of the Rohillas.

In 1754 Ahmed Shah was dethroned by a young prince of the blood, who reigned under the title of Alamgir II, commonly regarded as the last of the Mughal sovereigns who actually held the reins of government. But the Mughal Empire was rapidly becoming a mockery at the mercy of warring factions from all directions. In 1758 the Afghan, Ahmed Shah Dooranee, entered Delhi and inflicted calamities similar to those which it had suffered from Nadir Shah. No sooner had the Afghans withdrawn than the Marathas took charge of the capital for the purpose of imposing Ghazi-U-Din as vizier. In 1759 Alamgir II was assassinated at the instigation of his vizier and the new prince whom Ghazi-U-Din placed on the throne was never recognised. There was thus for a time no admitted sovereign at Delhi and the Mughal Empire may be said at this point to have ceased to exist.

With the passing of the Mughal Empire there seemed a prospect that a Maratha Empire would take its place. Although in the days of Aurangzeb possessing only a limited district in the Deccan, the Marathas had in the intervening period established their ascendency in every part of India, possessing vast tracts of territory and levying tribute over nearly all the rest. But their advance to power was summarily checked by a decisive conflict with an allied Muhammadan force composed of the Afghan soldiers belonging to Ahmed Shah Dooranee, the Rohillas and the troops belonging to Shujah-U-Dowlah, Governor of Oudh. The defeat of the Marathas at the battle of Panipat, accompanied by huge slaughter, destroyed the hopes of a Maratha Empire. After their victory the Muhammadan confederacy at once broke up. Thus all appearance of unity in the Government of

India disappeared. Meanwhile, events were happening elsewhere which were to lead before many years were over to the establishment of the power of the English in India.

Since its foundation in 1662 the French East India Company had for the most part remained content with merely commercial operations in which it had achieved no very great success. But in 1742 there appeared at the head of the Company's affairs a man who for a time appeared not unlikely to elevate the French authority to the first place in India. Joseph Dupleix, who had been trained for commerce and left a considerable fortune by his father, had already shown great ability in business. After ten years' service at Pondicherry he became in 1730 head of the French factory at Chandernagore, where he amassed a large fortune in private trade. In 1742 he was recalled to Pondicherry as Governor of the French Settlements in India. Unable to look forward to successful competition with the English in commerce, Dupleix now conceived the ambition of extending the French power in India by means of conquest. The weakness of the Mughal rule was such that the local governors and even their subordinate deputies were openly aspiring to independence. The parties thus formed were often so equally balanced, or so feeble, that even a small, if efficient, force thrown into the scale might easily determine the result. To wield such a force for the purpose of extending the influence and territory of the French in India thus became Dupleix's ambition. Events soon caused the English Company to be very directly concerned as to the success of this policy.

In 1744 war was declared between England and France. Aware that a French fleet under Labourdonnais was ready to sail for the East to attack the English settlement at Madras, England also despatched a fleet for its

defence. The English ships, on arriving, first threatened Pondicherry, which they might easily have reduced, but refrained from attacking on account of the assertion of Dupleix that the place really belonged to the Nawab of Arcot, who would revenge himself for any offence by an attack upon Madras. On receiving assurances that the Nawab would similarly restrain the expected French fleet from attacking Madras and would preserve impartiality as between the two Companies, the English ships retired. On the arrival of the French fleet in the Bay of Bengal a skirmish took place at sea without result, after which the English, although equal in strength to the French, unaccountably withdrew. The opposition thus removed, Labourdonnais, having received reinforcement, set out to besiege Madras. The English settlement with only two hundred soldiers and very defective defences was forced to surrender after a siege lasting five days. By the terms of the capitulation the whole of the merchandise and moveable property of the factory, together with a ransom fixed at four hundred and forty thousand pounds for the English prisoners, were to be handed over to the French.

At this moment Labourdonnais was in command of forces which seemed to place the whole of the English settlements in India at his mercy. Differences between him and Dupleix, however, caused delay in following up their success. Meanwhile a hurricane caught the French fleet lying in the Madras Roads with the result that it was completely crippled. Labourdonnais retired with the remainder of his ships to Mauritius, narrowly escaping capture by British cruisers on his way.

By this time Dupleix had pacified the Nawab of Arcot, who, too late, had sought, in accordance with his promise, to hinder the capture of Madras, by a promise to hand over the place to him. This promise he now refused to fulfil. The Nawab therefore sent an army to

take Madras by force, but the French by means of superior artillery and native troops whom they had trained and disciplined completely routed the Nawab's general.

While Dupleix was unsuccessfully attempting to complete his conquests by the reduction of the English settlements at Cuddalore and Fort St. David, the English on their side had at last received considerable reinforcements which put them in possession of an army on land, under the command of Major Lawrence, consisting of some four thousand Europeans and two thousand sepoys; while at sea the most powerful naval force ever brought to the East Indies by any European nation lay off Fort St. David under the command of Admiral Boscawen. The English, thus strengthened, determined upon the capture of Pondicherry, but, as the result of imperfect preparations and unnecessary delays, they were eventually forced to raise the siege and retire to Fort St. David, having lost from sickness and in battle nearly a third of their European troops. In 1748 the peace between England and France concluded at Aix-la-Chapelle brought the fighting to an end, and Madras was restored to the Company.

Although the hostilities between England and France in India were thus nominally terminated, both sides were now in possession of forces which recent events had shown were capable of exercising a powerful influence in native warfare. Dupleix had not abandoned his ambition of so using his power as a factor in the struggles between the various native rulers as to lead to the establishment of a French Indian Empire. Such an Empire would inevitably have threatened the position of the English in India and before long they in turn began to take a part in the native conflicts in which their object was the suppression of the French influence no less than their own profit.

The first scene of this intervention on the part of the English was at the petty kingdom of Tanjore, where, in 1749, the Company obtained, as the fruits of aid rendered to the successful claimant to the throne, the session of Devi-Cotah on the Coromandel Coast and territories having an annual rental of nine hundred pagodas.

The next occasion was one of far greater importance. Upon the annexation of the kingdoms of Bijapur and Golconda to the Mughal Empire in the reign of Aurangzeb, the whole of this district, included in the country known as the Karnatic, had formed one of the great divisions of the Deccan, which in turn was one of the principal subahs of the Mughal Empire. Under the general superintendence of the Viceroy, or Subadhar of the Deccan, the Karnatic was ruled by a Nawab, or Deputy, sometimes appointed by the Viceroy of the Deccan. sometimes by the Emperor himself.

The existence of rival claimants to the ruling power in the Karnatic afforded the French an excellent opportunity of turning the disturbed condition of the country to their own advantage. By an adroit use of their troops they were enabled for a time to establish themselves as the real ruling authority and in 1751 Dupleix was actually appointed Governor of the Mughal dominions on the coast of Coromandel, with Chunda Sahib as his deputy at Arcot; while in 1752 the French Company acquired the Northern Circars which, with the territory that they already possessed, made the French masters of a line of coast 600 miles in extent with a revenue of no less than £500,000.

The English, alarmed at the great influence of the French, decided to support the other claimant to the rulership of the Karnatic, Mahomed Ali, with renewed vigour. After several years of desultory fighting, in

which the English troops were led by Major Lawrence, the balance of advantage lay with the supporters of Mahomed Ali, but no real settlement had been achieved. The most brilliant exploit on the side of the English troops was the capture and defence of Arcot under Clive, who was at this time laying the foundations of his reputation as a soldier. In 1754 the representatives of the French and English Companies at home, thoroughly tired of the conflict, arranged that affairs should be peaceably decided by agreement. This was effected by the Treaty of Pondicherry, the leading principle of which was that on the east coast of India the two Companies should be placed on a footing of equality. Both sides undertook to refrain from interference in the quarrels among the native princes and to restore all possessions except those specially named in the treaty; while, in order that the French should not be in a position of undue territorial strength relative to the English, the former undertook to give up their possession of the Northern Circars.

The treaty completely failed, however, to secure the desired peace. The English and French forces had engaged themselves in support of the respective claimants to the position of Nawab of the Karnatic only on the condition that the expenses of their troops should be borne by those in whose interests they were fighting. Although Mahomed Ali was installed as Nawab at Arcot a number of the tributary princes failed to render him the revenues that were due. The English decided to enforce the payment and were to receive half of the monies collected in satisfaction of the expenses previously incurred. This led to a renewal of hostilities in which before long the French and the English were ranged on opposite sides.

While the condition of the south thus continued in a state of constant unrest and petty warfare, events in Bengal were rapidly leading to an outbreak of hostilities between the English Company and the native rulers of the province. In order to understand the situation that had thus developed it becomes necessary briefly to trace the course of events leading up to it.

Before the death of Aurangzeb a young man named Murshid Kuli Khan, often known as Jafar Khan, who had spent his boyhood as the slave of a merchant in Persia, having regained his freedom, had returned to enter the Mughal service. He was promoted by Aurangzeb on account of his financial abilities to the position of Diwan of Bengal where he began rapidly to extend his influence which thus brought upon him the envy of the Nawab, who instigated an attempt upon his life. Murshid Kuli Khan thereupon withdrew from the headquarters of the Nawab at Dacca and established the offices of the Diwani at Murshidabad, new honours being at the same time conferred upon him by Aurangzeb.

When Farukhsiyyar became Emperor in 1713 Murshid Kuli Khan was established as Subahdár of Bengal. By the regularity with which he transmitted the provincial revenue, increased by his diligence from one million to one and a half million sterling, to say nothing of frequent and costly presents, he established his position at court. It became urgently necessary for the new Nawab to increase the revenue of his province and this he succeeded in doing by various devices. The chief was the considerable addition which he made to the land revenue. (*Cf.*, Ascoli, "Early Revenue History of Bengal." p. 28.) Aware of the advantage which he derived from foreign commerce, he seems to have been disposed to encourage the Mughal and Arabian merchants by strictly prohibiting the customs officers from demanding more than

duties of $2\frac{1}{2}$ per cent. together with the regulated fees.

On the other hand he viewed all Europeans with disfavour, and in particular resented the possession by the English Company of the privilege of being exempted from the payment of duties which others were obliged to contribute.

He made it plain that the Company must either forego this privilege or compensate for it by making him considerable and frequent presents. In order to avoid these capricious demands the Company determined to seek a confirmation of their privileges from Farukhsiyyar himself. An embassy was sent to Delhi, bearing presents said to have valued thirty thousand pounds, which proved successful, in part at least, by reason of the fact that a physician named Hamilton, who accompanied it, won the gratitude of the Emperor by curing him of a secret disease. As a reward the privileges sought for by the Company were ultimately granted in 1717. The chief of these privileges were that, in return for the payment of a fixed sum, all duties upon goods entering Surat on behalf of the Company should be remitted; that the three villages adjoining Madras which had been withdrawn from the Company by the Government at Arcot should be restored in perpetuity; that a passport, or dustock, signed by the president of the Company at Calcutta should exempt the goods which it specified from stoppage or examination by the customs officers of Bengal; and that the Company should be allowed to purchase the zemindary of thirty-seven towns in Bengal as they had already purchased that of Sutanati, Kalikata, and Govindpur.

Murshid Kuli Khan strongly resisted the execution of these grants so far as they affected Bengal. While the authority of the dustocks issued by the Company's

president was observed, thus giving to the Company a great advantage in competition with other European traders, the permission to purchase the zemindary of the thirty-seven towns was effectively opposed.

It was nevertheless over the use made of the dustocks by the Company that trouble chiefly arose. In order to understand the nature of this difficulty it is necessary to explain the manner in which the English trade in Bengal was at that time conducted.

The Company's trade proper consisted of imports and exports to Europe, the latter making up what was known as the investment. It was customary for the Company to dispose of its imports either through a broker or direct to native merchants, the purchasers receiving the dustocks, or passes, of the Company which entitled them to transport their goods inland free of customs duties.

With regard to the goods for the investment, two different methods of supply were used. By the first method the Company maintained its own organization for the acquisition of goods at first hand from the producer. This method was chiefly adopted for the purpose of obtaining the necessary supply of piece-goods. In various parts of the country the Company maintained subordinate factories, and each of these factories had local branches with the supervision of a small district known as an "Aurung," a term however which is sometime applied to the actual district godown or warehouse itself. In each aurung the Company employed a "Gomashtah," through whom contracts for the supply of cloths, etc., were made with the weavers and advances of money for the purchase of raw material arranged. The dealings between the Gomashtah and the weavers were frequently the source of difficulty arising from faults on both sides. Then, as now, the weavers possessed little or no capital and were

therefore bound to accept advances of money to enable them to obtain their raw material and subsist until the completion of their work. Having received the advance they contracted to supply so much cloth, but they were very frequently by no means averse to dispose of their cloths to any other traders who would offer a better price. Against such practices the Company had little redress as the weavers were so poor as to have no property from which the loss might be recovered. It thus became customary for the Company to set peons to watch the progress of the weavers in their work and to prevent such sales. This, of course, opened the way to the abuse of their authority on the part of the peons. The weavers complained of the high-handed treatment of the peons and the peons of the efforts of the weavers to evade their bargains. Another difficulty arose in connection with the necessity of maintaining the quality of the cloths. Among a number of hand-weavers skill naturally varies and constant supervision is needed if poor-quality goods are not to be palmed off as goods of normal standard. At each aurung there was a "Jachandar" whose business it was to inspect the cloths and with the Gomashtah to fix the price, deducting the percentage for goods of inferior quality. It was a common complaint that the weavers were forced to accept prices below those in the open market. But, while it was no doubt easy for the Company's servants to abuse their power by paying the weavers less than their due, it must also be remembered that it is a recognized practice prevailing to this day that interest upon advances to the weavers should be returned in the shape of a lower purchase price for the cloths. It will be seen that there was in this system room for the Company and its agents to force the weavers to accept advances and then to compel them to surrender their cloths at unduly low prices, or to suffer at the hands

of the peons, while there was equally the real danger that in the absence of strict supervision the Company would suffer heavy losses both by making advances for which it got nothing in return, or by having to accept goods of very inferior quality.

The goods thus obtained at the aurung were forwarded to the main factory of the district where they were classified and priced for the home markets and sent under cover of a dustock to the port warehouse.

The second of the two methods referred to by which the Company obtained the goods for its investment was by contract with a middleman, the Company having no direct dealings with the producers. This second method calls for no special notice here.

In addition to the Company's imports and exports between India and Europe in the shape of the investment, there was in the second place the interport trade and the trade between India and the Further East which was largely carried on by the Company's servants and by free merchants as their private trade. It was the prospect of amassing a fortune in this trade which attracted men to the Company's service. Those engaging in the private trade were allowed by the Company to use its dustocks. It is thus obvious that the dustocks obtained a wide circulation and passed largely through the hands of native traders. The native traders then began to imitate the dustocks, or to purchase them from English individuals, to be used in the course of the ordinary internal trade of the country. This led to frequent complaints on the part of the revenue officials that the payment of inland duties was largely evaded.

The third branch of trade was that concerned with purely internal traffic, and it was for some time a debated question whether the Company's servants were entitled

to take part in this trade and to make use of the dustocks in doing so.

When the Company obtained the confirmation of its privilege to use the dustocks in 1717, the Nawab, Murshid Kuli Khan, declared that the privilege only applied to goods imported or exported by sea. (Stewart's "History of Bengal," p. 402.) The Emperor's firman contained no such restrictions. The Nawab's contention, however, was probably justified. At any rate the Company agreed to his interpretation and some years later the directors declared it to be illicit for the English to take part in the inland trade. The reservation of the use of dustocks for such goods only as had been imported, or were to be exported, by sea involved considerable difficulty, for the local customs officials were ordered to examine goods in transit so as to discover whether they had actually been imported, or were really intended for exportation. Thus the vexatious interference and delay resulting from the search, to escape which had been the chief object of the Company in seeking the imperial order, were in danger of being reintroduced.

The Company constantly complained that the local officials used their powers of search as a means to extort bribes, while the Nawab and those profiting from the payment of customs asserted that their revenues were greatly reduced by the abuse of the Company's privileges in respect of the dustocks and increasing bitterness between the Company and the native authorities of Bengal grew up in consequence. There were doubtless good grounds for the irritation of the English merchants at the interference with their just privileges at the hands of native officials who constantly demanded bribes before they would carry out the commands of the imperial firman. But the faults were not entirely on one side. The Company was already inclined to set aside the

authority of the Nawab's Government within the sphere of its zemindary. It frequently protected the native subjects within this area against the Nawab although they were neither the servants nor the merchants of the Company. Dustocks were often given to natives to trade custom-free who had no right to them and considerable duties were levied upon goods brought into the Company's districts while the English traded custom-free throughout the Nawab's territory. (*Cf.*, S. C. Hill, "Bengal in 1756-7," Vol. III, p. 384.)

Jafar Khan died in 1725 and Shujah Khan, who had hitherto been Deputy Governor of Orissa, became Nawab of Bengal and was accompanied by his extremely able minister Alivardi Khan. The latter was shortly after appointed Governor of Behar with his capital at Patna, where he surrounded himself with a strong body of soldiers, including a number of Afghans, whom he took into his service. His intention appears to have been to prepare himself for the moment when he might assert himself as Nawab of Bengal. Shujah Khan died in 1739 and was succeeded, according to the will of the late Nawab, by Sarfarez Khan. This was Alivardi's opportunity. Sarfarez had not been confirmed and the Emperor, Mahomed Shah, in return for the promise of Sarfarez's confiscated property, together with the payment of the regular tribute, named Alivardi as Nawab. The latter, overcoming the forces of Sarfarez, established himself at Murshidabad. Scarcely had he returned from a successful expedition to quell a revolt in Orissa than Alivardi found himself invaded by a powerful Maratha force. Proceeding through Orissa, which they laid waste far and wide, the Marathas outstripped Alivardi in a race for Murshidabad, where they plundered the suburbs and extorted a sum estimated at two and a half million sterling from the wealthy banker Juggut

Seth. The Marathas then retired from Murshidabad and devastated South-Western Bengal. Numbers flew for protection to Calcutta and the entrenchment known as the Maratha Ditch was hastily commenced. Calcutta was, however, never actually attacked. The following season Alivardi gained a victory over the Marathas at Midnapur and for a time beat them off. Year after year they returned, successfully plundering the country, and at last, in 1751, Alivardi agreed to cede to them the province of Orissa and to pay twelve lakhs of rupees annually on condition that they should not again set foot in his territories. In 1756 Alivardi died and was succeeded by his grandson Siraj-Ud-Daula. The trouble between the English and the native power in Bengal had long been brewing. Alivardi had avoided any actual conflict by his caution and discretion. With the succession of the new Nawab it soon came to a head. The real causes of the outbreak were the dissatisfaction of the Nawab at the loss of revenue resulting from the English trading privileges, to which intensity was given by the ability to point to instances in which these privileges were abused, and the fear that the English in Bengal would imitate their countrymen in the Coromandel where they had already deprived the native authority of real independence. The immediate occasion of hostilities was found in a less important incident.

The new Nawab had already, just previously to the death of his grandfather, been enraged against the East India Company because a wealthy relation had removed his treasures to Calcutta as a place of safety from Siraj-Ud-Daula's clutches. A messenger was sent to the Company demanding the return of the treasure. The President, treating the messenger as an imposter, refused to comply. At this moment news arrived informing the President that England was on the verge of war with

France and he began to strengthen the defences of Fort William, which were in a state of serious decay, stating that he feared an attack from the French. Siraj-Ud-Daula immediately ordered the cessation of such preparations and, upon the President refusing to comply, turned aside in a march for Purnia, which he had already commenced, and proceeded towards Calcutta. On reaching Kasimbazar the Company's factory was pillaged, and Mr. Watts, the agent, was compelled to sign a paper stating that the President at Calcutta should level the newly constructed defences and refund any revenue which might have been lost by the grant of dustocks to persons not entitled to them.

The Nawab then proceeded to attack Calcutta of which the garrison consisted of only two hundred and sixty-four men with a further body of inhabitants enrolled as militia numbering two hundred and fifty. After a short defence the majority from the Company's settlement fled down the river in boats, while the story of those who remained to be imprisoned in the Black Hole is well known.

The Nawab, having thus captured Calcutta, left a garrison in charge and withdrew to Murshidabad with the main body of his army, exacting from the Dutch at Chinsura a payment of forty-five thousand pounds and from the French at Chandernagore the sum of thirty-five thousand pounds as the price of being left unmolested. All English property within his dominions was declared to be confiscated.

While these events were happening in Bengal, the English sea forces under Admiral Watson and land forces under Clive had just completed the task of subjugating the pirates of the west coast led by Conajee Angria. No sooner had Clive returned to Fort St. David, of which he was deputy governor, than he was summoned to

Madras to discuss the action to be taken against Siraj-Ud-Daula. The result was the despatch from Madras of five King's ships and five Company's ships, having on board nine hundred European troops and fifteen hundred sepoys. They reached Calcutta in January, 1757, and soon recovered Fort William. A few days later they undertook a punitive expedition against the town of Hugli. This action roused Siraj-Ud-Daula and he once more surrounded Calcutta with his troops. The siege was raised by Clive and a treaty concluded between the English and the Nawab by which he agreed to restore the factories of the Company and all their former privileges, to permit Calcutta to be fortified and to make compensation to the Company for the plunder of its goods.

Meanwhile war had actually broken out between the French and the English in Europe and Clive determined to attack the French settlement at Chandernagore.

The French settlement was captured in 1757 and plunder was removed in the English Company's ships valued at more than a hundred thousand pounds.

Clive now decided to take a step whereby the English Company, under cover of the native government, could really exercise a controlling influence over the affairs of Bengal. To this end he determined to depose Siraj-Ud-Daula as Nawab and to elevate his own nominee, Mir Jafar, who was likely to prove complacent, in his place. This was to be effected by means of a conspiracy by which Siraj-Ud-Daula was to be first lulled into a sense of security and then deserted by a number of his followers. A private treaty was entered into between Mir Jafar and the Company by which the former undertook, in return for being made Nawab of Bengal, Behar and Orissa, to confirm all the Company's previous privileges,

to hand over to them all the possessions of the French in the three provinces, and to pay nearly two million sterling as compensation for the losses of the Company and the inhabitants of Calcutta.

Siraj-Ud-Daula, learning of the conspiracy, marched to meet Clive, who was relying upon the promised treachery of Mir Jafar rather than upon the strength of his own forces to defeat his enemy. The troops of the Nawab and those of the English met at Plassey and the victory of the latter, secured by the defection of Mir Jafar at the critical moment from the Nawab's army, occurred with scarcely any fighting.

The victory of Plassey is sometimes referred to as the conquest of Bengal by the English. This however is inaccurate. Theoretically the victory left the Company in the same political status as before by which they possessed certain zemindary rights and enjoyed certain trade privileges at the pleasure of the sovereign will of the Mughal Emperor. But while this was the situation in theory the position in practice was very different. By the treaty with Mir Jafar in 1757, the English became the real masters of Bengal and for the simple reason that they alone had reliable troops wherewith to enforce their will. Henceforward the Nawab enjoyed his position only at the pleasure of the Company. When Mir Jafar in his treaty confirmed to the Company the use of the dustocks, he declared "whoever acts contrary to those orders the English have full power to punish them." The enforcement of the Company's privileges was henceforth in its own hands. The offer of the Diwani was actually made to Clive by the Emperor's Vizier in 1759. Its acceptance, although recognised as "a fair opportunity of making the Company all in all," was refused because the directors were still afraid of undertaking the cares of administration, or of provoking the jealousy

of other European powers, by such a large show of authority.

Thus between 1757 and the acceptance of the Diwani in 1765 the power of the Nawab and the effectiveness of his administration in the three provinces was undermined while the Company as yet assumed no responsibility for the ordering of the country's affairs.

In the sphere of trade the important result of the English victory was the frequent abuse of authority on the part of individual Europeans. The abuse of dustocks was greatly multiplied despite considerable efforts on the part of the Company to prevent it.

In all directions Europeans, whether servants of the Company or otherwise, began to engage freely in the inland trade where, availing themselves of the privileges which had formerly been admitted to pertain to the foreign trade alone, they ousted the native dealers and depleted the revenues of the Nawab. The eager pursuit of gain by the English agents of the Company, the frequent oppression of the handicraftsmen by gomashtahs and bunyans acting under the cover of the English authority, and continued friction frequently accompanied by open rebellion among the zemindars were the chief notes of the years between 1757 and 1765.

In 1760 Clive deposed the Nawab Mir Jafar on the ground that he was too weak to conduct the government of the country. Mir Kasim Ali, who was appointed in his stead, was in turn removed for proving too strong. In alliance with the Vizier of Oudh he engaged the English forces and was defeated at Buxar in 1764.

In 1765 the Company installed as Nawab Najum-Ud-Daula, with Mahomed Reza Khan and Francis Sykes to be joint directors of his government. In the same year Clive, in order to secure control of affairs, entered into a treaty with the Mughal Emperor by which the

Diwani of Bengal, Behar and Orissa was granted to the Company. Thus the English became members of the native executive, and what was known as the Dual system of Government was introduced.

In recounting the events which led to the supremacy of the English Company in Bengal mention must be made of the last occasion on which the Dutch ventured upon the use of force against the Company in India.

The Dutch saw in the British successes both a cause of alarm lest their own trade privileges should be diminished and ground for envying the fortune of the English Company in extracting large sums by way of compensation and presents after Plassey. According to some the Dutch were actually in secret league with Mir Jafar to overthrow the English. In any case the Dutch in 1759 despatched a considerable armed force from Batavia to the Hugli. The Dutch invasion was, however, completely defeated at Chinsura and in consequence they undertook never to negotiate war, introduce or enlist troops, or raise fortifications in the country. They were to be allowed only to keep a hundred and twenty-five European soldiers for policing their factories at Chinsura, Kasimbazar and Patna.

Having thus briefly traced the course of events leading to the establishment of the English as the power behind the throne in the provinces of Bengal, Behar and Orissa, it becomes necessary to return to the account of the struggle between the French and the English in the Karnatic. This may be done in a few words.

We have seen that notwithstanding the Treaty of Pondicherry, the English and French troops by their participation in the affairs of the native rulers of the south in effect continued to wage war upon each other. The turn of affairs during the year or two following that in which the English had gained their success at Plassey

afforded some ground for apprehension lest the French should succeed in their boast that they would drive the English from India. Possessed for a time of larger forces, although hampered by lack of funds, they pressed the English to the point of investing Madras in 1758, but the timely arrival of an English fleet caused the siege to be abandoned. At that moment the French were in fact in possession of nearly all the important strongholds in the Karnatic. It was then that reinforced both at sea and on land by the arrival of additional ships and troops from England the French were defeated in 1760 at the decisive battle of Wandiwash. Arcot was shortly after recovered, and the French general, Lally, was soon driven back to make his last resistance at Pondicherry, which surrendered in 1761.

With the fall of Fort Ginji in the same year the French were without a military post in India. According to Orme the day that witnessed the fall of Ginji terminated the long hostilities between the two rival powers in Coromandel.

By the terms of the Treaty of Paris in 1763 England undertook to restore to the French those factories on the Coromandel and Malabar Coasts as also in Bengal which they had possessed in 1749. At the same time the French undertook not to erect fortifications or to keep troops in any part of the Subah of Bengal. Whether they were entitled to fortify their settlements outside Bengal was not expressly laid down.

The position of the English in the Karnatic was at this time not unlike that which they occupied in Bengal. While nominally proclaiming their submission to the Nawab they made it clear nevertheless that he existed on the sufferance of the Company and must do as he was told. The similarity of the two positions was emphasized when, in 1765, Clive arranged with the

Mughal Emperor that the five northern Circars should be completely ceded to the Company for ever, subject to no payments of any kind to any superior authority. Thus the same year which witnessed the grant of the Diwani in Bengal found the Company endowed with considerable territorial possessions in the province of Madras. Having successfully overthrown the power of their European rivals the English were from this time to advance from their bases in Bengal, Madras and Bombay until their power was established throughout the country.

CHAPTER V.

English Commercial Policy and Indian Trade. 1600–1765.

In the preceding chapters a brief sketch has been given of the foundation of the English trading settlements in India and of their varying fortune down to the grant of the Diwani. The course of events has been outlined which caused them by the middle of the 18th century to be no longer merely concerned with commerce, relying upon trade profit as the sole source of income, but to be in possession of a considerable extent of territory from which the Company looked to derive an important revenue. The downfall of the Mughal Empire and the complete failure of any other native power to consolidate its authority or to secure an efficient administration had resulted in the emergence of the Company as embodying the real political will within the two spheres most directly affected by its commercial interests.

We may now turn to consider the leading events in the history of the East India Company in England from its foundation down to the middle of the 18th century, more particularly with the object of discussing the bearing of English trade policy upon the commerce with India. It will be well to recall at the outset certain broad principles upon which that policy was based—principles that were generally accepted by the chief trading countries of Europe at the time. Perhaps the first place should be given to the principle of monopoly.

The generally accepted method of stimulating trade at home, and still more abroad, was to endow those responsible for it with monopoly rights and privileges, subject to certain safeguards in the interests of the State.

This idea of monopoly rights was so well understood that, when the merchants of London were petitioning Queen Elizabeth for a charter for their Company, they were required to show that there were extensive territories in the East that were to be regarded as not falling within the privileged sphere of Portuguese interests. When the charter was granted it was expressly provided that the Company should not trade to any place in possession of any Christian princes in amity with the Queen who should publicly declare their objection.

The trade with distant markets and particularly with uncivilised or semi-civilised countries not only involved great risks arising from the disturbed character of the foreign countries themselves and from the dangers to be met with from enemies on the high seas, but required also that the traders should organise and maintain, with little or no aid from the State, depôts abroad through which their business should be transacted. Such traders thus inevitably found themselves involved in heavy risk and large expenses in carrying on their enterprise such as they would only undertake if assured that they would reap the whole of any resulting advantages. The device of monopoly had thus a justification which does not exist at the present day, for it was only through the exercise of a monopoly that those engaged in a trade could be compelled to bear their share of the heavy expense incurred in connection with the quasi-political functions upon the fulfilment of which the continuance of trading operations depended.

The monopoly granted by the charter of Queen Elizabeth in 1600 and continued by succeeding monarchs was indeed frequently infringed, not only by individual interlopers, but even, as in the case of Courten's Association, by rival bodies enjoying royal protection. Nevertheless, throughout the period that we are

considering the East India Company retained its monopoly rights and, after the first sixty years of its existence, maintained them with increasing authority.

Next to the generally accepted principle of monopoly, the most important rule for the regulation of foreign trade was that it should be in general subservience to the interests of home industries. Of these, by far the most important was the native woollen manufacture. It had for long been regarded as the chief source of the country's wealth. Every opportunity was taken of protecting and stimulating it and anything which threatened its prosperity was treated as a national danger. The silk industry also, although relatively insignificant until the latter part of the 17th century, had for more than a hundred years before received the special care of the State.

The measures commonly adopted for the protection of these industries were designed to safeguard the supplies of raw material while hindering the rival manufacturers of other countries from obtaining such raw material except upon relatively disadvantageous terms. At the same time the home markets for the staple industries were, as far as possible, secured either by the imposition of protective duties, or by the enactment of sumptuary laws. Everything was done to hinder the introduction of rival commodities that might curtail the consumption of the staple manufactures.

The third prominent principle of the trade policy at the time was that each branch of foreign trade should be able to justify itself by showing that it was profitable to the nation. The test by which this condition was to be proved was whether on balance the trade brought into the country more wealth than it took out. Particularly it was regarded as desirable that the favourable balance should be shown in an import of the precious metals.

Not that it was thought, as is sometimes alleged, by the early mercantilists that bullion was the only true wealth, but rather that it was regarded as the mark of a profitable commerce. Moreover, it must be remembered that in those days the wide ramifications of the modern banking organisation and the easy and rapid methods of remitting international money from one country to another did not exist. There was thus a real danger that a foreign drain of the precious metals might deprive the country of its circulating medium to an inconvenient extent.

It was one of the charges most frequently brought against the East India Company by its opponents in the 17th century that their trade flagrantly violated this principle. It was recognised by those responsible for the early voyages of the Company that it would be difficult to conduct a trade between England and the markets of the East consisting merely of an exchange of goods. In the first instance the difficulty was due to the ignorance of the Company as to the nature of the commodities that would be in demand among the people with whom they were hoping to trade. For this reason the Company, by its first charter, was permitted to export from England bullion to the value of £30,000 on the occasion of each voyage. The Company engaged to bring into England as much bullion as it carried out—an undertaking, however, which it certainly failed to make good and year by year a large proportion o its exports consisted of the precious metals. Indeed throughout the history of the Company it suffered from the fact that India offered but a poor market for the produce of England until, as the result of the Industrial Revolution, she became a producer of cheap cotton goods.

The consumers of India comprised, broadly speaking, two sharply divided classes. There were the rulers and

those who surrounded them and in some degree shared their wealth, who together made up the comparatively small class living a life of ease and luxury upon the proceeds of tribute and taxation. On the other hand, the vast majority of the people possessed the meagre incomes that have always been characteristic of the Indian peasantry which were inadequate for the satisfaction of any but the narrowest range of wants.

The staple article of English manufacture, woollen cloth, naturally found but a poor market among the consumers of a tropical country and as yet England had not discovered the methods by which later she succeeded in displacing the products of the Indian village craftsmen.

Bearing in mind the principles of commercial policy then in force we may pass to a review of their application to the trade with the East Indies.

On the 31st December, 1600, Queen Elizabeth granted their first charter to the Governor and Company of Merchants in London trading to the East Indies. For fifteen years the Company was authorised to carry on trade to all countries between the Cape of Good Hope and the Straits of Magellan, provided that such trade should not be to any place in possession of a Christian prince in amity with the Queen, who should publicly declare his objection thereto. No other subjects of the Queen were to be allowed to take part in the trade except by the Company's licence under penalty of forfeiture of ships and goods. As the Company was inexperienced with regard to the nature of commodities vendible in India, it was allowed to export any unprohibited goods from England during its first four voyages free of all customs duties; to carry out thirty thousand pounds in bullion on the occasion of each voyage; and to re-export goods brought from India in English ships without

payment of customs. The Company undertook to bring into England as much bullion as they carried out. Should the exclusive trade prove to be unprofitable to the realm, the Crown reserved the right to declare its privileges to be void on giving two years' notice.

For the first twelve years of the Company's history the method of conducting the trade was by means of separate voyages. A group of merchants belonging to the Company would combine to promote a voyage and fit out the necessary ships. At the conclusion of the voyage the venture would be wound up and the profits divided between those who had taken part in it. The system was highly inconvenient as before one group had brought their particular voyage to an end another group might start an independent voyage, and the agents of the several voyages would thus compete with one another in the Indian markets to the detriment of their trade. The period of the separate voyages came to an end in 1612, in the course of which time the Company had exported from England in merchandise £62,411, in bullion £138,127, and had expended upon ships and stores £263,746. (Milburn, "Oriental Commerce," Vol. I, p. xi.)

One of the early difficulties experienced by the Company was to procure suitable vessels for the transport of its cargoes. It therefore early resolved to build its own ships, which it proceeded to do by establishing a dockyard at Deptford. Their first ship, named "The Trade's Increase," was described as the goodliest and greatest ship ever framed in the Kingdom.

The method of separate voyages having proved unsatisfactory the Company, in 1613, adopted a slightly different system of conducting its ventures. Subscriptions were

invited from the public to form a Joint Stock which should constitute the capital of the Company. These subscriptions were not intended to be a permanent investment, but merely provided the funds from which the trade of the Company might be financed for a short term of years. As soon as the voyages under one joint stock were completed and the accounts wound up another joint stock was created which took over the assets of the previous joint stock and commenced a new series of ventures. This method of conducting the trade of the Company prevailed until 1657. While each group of subscribers to a particular joint stock had its own board of managers, the presence upon these boards of the Governor, Deputy Governor, and twenty-four committee men, who formed the chartered body of the corporation, gave a certain measure of permanence and continuity to the Company's policy. Nevertheless it is obvious that such a constitution in which the interests of the subscribers were limited to the prospective profits to be gained in the immediate future can hardly have been conducive to the formation of a broad and far-sighted policy steadily carried out.

Although the Company succeeded from time to time in obtaining renewals of its charter bestowing the privilege of exclusive trade, it found from the first some difficulty in restraining the competition of the private trader. A large body of public opinion disapproved of its monopoly powers and as early as 1621 we find one of the directors, Munn, compelled to undertake its defence in a treatise in which he contended that the country gained by securing the commodities of the East Indies at half the price which they were forced to pay formerly when they travelled by the old route *via* Aleppo. He declared that the Company annually imported the following goods:—

Annual Importation.	Cost on Board in India.	Selling Price in England.
Pepper, 250,000 lb.	2½d. per lb.	1s. 8d. per lb.
Cloves, 150 lb.	9d. per lb.	6s. per lb.
Nutmegs, 150,000 lb.	4d. per lb.	2s. 6d. per lb.
Mace, 50,000 lb.	8d. per lb.	6s. per lb.
Indigo, 200,000 lb.	1s. 2d. per lb.	5s. per lb.
China raw silk, 107,140 lb.	7s. per lb.	20s. per lb.
Pieces of calico, 50,000	7s. per piece.	20s. per piece.

Thus it appeared that the selling price of the Company's imports in England were nearly five times their cost in India and Munn argued, although quite fallaciously, that the difference consisting of freight, duties, charges and profits represented the gain to the nation.

The Company itself stated to Parliament that in the first twenty-one years of their trade they had sent out eighty-six ships, of which thirty-six returned home laden; nine were lost, five had been worn out in the port to port trade in India, eleven had been captured by the Dutch, and twenty-five were at the time in Indian ports or at sea. During these twenty-one years £613,681 in bullion had been exported, and merchandise to the value of £309,211. In a return to Parliament giving an account of the trade to the East Indies between 1620 and 1624, the nature of the goods imported at this time by the Company is shown to consist of pepper, cloves, mace, nutmegs, gum, lac, indigo, calicos and Persian and Chinese raw silk.

Despite the arguments of writers such as Munn and although Charles I himself issued a proclamation in 1631 restraining the excess of the private or clandestine trade carried on to and from the East Indies by the officers and sailors in the Company's own ships, he nevertheless in 1635 granted a charter to Sir William Courten, authorising him with others to form a new Company to trade with India. This was in direct violation of the

London Company's charter. The vessels fitted out by Courten's Association not only injured the London Company by their commercial competition, but brought it into conflict with the Mughal Emperor: for Courten's ships, not content with legitimate trading, proceeded to commit a number of acts of piracy upon vessels belonging to Mughal merchants, with the result that the London Company's servants at Surat were seized and imprisoned, being unjustly held responsible for the deeds of their rivals. Although Courten's Association, or the Assada Merchants as they came to be called, never seriously threatened the position of the London Company, yet it proved a constant source of anxiety until, in 1650, Parliament resolved that the trade to the East Indies should be carried on by only one Company and one joint stock.

The trade of the Company, however, for the next five or six years gained very little from the privileges of its charter. The insecurity of those privileges and the consequent difficulty experienced in obtaining funds brought the corporate trade to a low ebb. Its factories in India were practically acting as commission agents for any who cared to deal with them.

The long period of struggle and anxiety through which the London Company had passed since its foundation gave place to a time of prosperity and renewed activity with the recognition and confirmation of its powers in the charter of 1661 granted by Charles II. Parliament had come to the conclusion that the maintenance of the organisation necessary to the conduct of the trade with the East, and particularly the upkeep and control of the trading settlements in India, was incompatible with a continuance of an unregulated competition and required the recognition of a strong corporation endowed with adequate governmental powers.

The charter forbade the admission of any Indian goods into England except such as were allowed under the seal of the Company. Power was given to the Company to appoint governors and officers to rule the Company's factories by the exercise of civil and criminal jurisdiction within their bounds. It was empowered to export warlike stores and to make peace and war with princes and people (not being Christians) within the limits of its trade, and to recompense itself for wrongs and damages sustained at its settlements. It also obtained the right to seize all Englishmen and other persons in the East Indies sailing in any Indian or English vessels, or inhabiting those parts without the Company's licence, and send them home to England.

With the grant of this charter may be said to begin the period in which the Company gradually advanced to be a governing power in India.

A change which occurred at this time regarding the conduct by the Company of its trade should be noticed. Hitherto the Company's ships had generally sailed for Surat, where they had disposed of part of their cargoes and purchased with the proceeds piece-goods for the supply of other parts of India and of the Eastern islands. The ships then proceeded to the further ports where they disposed of the remainder of their British goods and of piece-goods suitable to the particular markets, purchasing in return the spices, pepper and other articles needed to complete their home investment. These long round voyages in which the ships were not only constantly exposed to the danger of attack from the Portuguese and the Dutch, but in which the charges on account of the long voyages were very heavy, were now given up. The trade from port to port in India, commonly referred to as the country trade, was henceforth left to the private enterprise of the Company's servants and to persons

licenced to reside there as free merchants. Thus a considerable stimulus was given to that private trading by persons frequently able to make use of the Company's privileges which later provoked a conflict with the native authorities who maintained that those privileges had been granted for the Company's trade alone.

The rapid growth of the Company's trade which followed the grant of the charter in 1661 was not long in bringing a renewal of the complaints that the commerce of the Company was not really in the interests of the nation. Once again the charge was made that the country was being drained of its precious metals. In a statement presented to Parliament, the Company itself admitted that between 1668 and 1674 it had exported bullion and coin to a total value of £1,165,311.

Sir Josiah Child replied to the various charges in his famous "Discourses on Trade," published in 1676. He declared that the Company had greatly benefited the merchant shipping of the country by the construction, within the previous seven years, of twenty-eight new ships. Further, the people gained by the large consumption of Indian commodities which he estimated at that time to amount annually to raw and wrought silks, 30,000 lb.; pepper, 180,000 lb.; indigo, 600 lb.; drugs, 1,500 lb.; saltpetre, 30,000 lb.; and calicos, 160,000 pieces. Moreover the Company brought large quantities of Eastern produce which it disposed of in the markets of Europe, as the result of which England was able to obtain the goods of the Continent without the export of the precious metals. Thus, he contended, upon a true view of the balance of trade the country benefited by the transactions of the Company.

The defenders of the Company gained the day and the charter was again renewed in 1677, the only additional privilege of importance which it contained being

the right to coin money at Bombay. Charters were once more granted in 1683 and 1686, in each of which the powers of the Company as a governing body in India were extended. The change of policy which at this time became noticeable in the conduct of the Company's affairs is reflected in the following passage of the charter of 1686:—"The King having been given to understand that many of the native princes and governors of India taking advantage of divisions, distractions, or rebellion amongst the English, occasioned by the late licentious trading of interlopers, had violated many of the Company's privileges, surprised their servants, ships and goods, besieged their factories, invaded their liberties, and by many other ways, without just cause, abused their chiefs and factors to the dishonour of the English nation, for all of which the Company intended to demand satisfaction in a peaceable way; and if not obtained that way, to use force of arms, wherein they would have occasion to use their ships in a warlike manner: wherefore the King granted full power to the Company to appoint admirals, captains, etc., from time to time, who might raise and muster seamen and soldiers on board their ships . . . ". It was with the thought of this charter in his mind that Sir Josiah Child triumphantly contrasted the Company's former position as "merely trading merchants" with its new dignity, "since His Majesty has been pleased to form us into the condition of a sovereign state in India." (Hunter, "History of British India," Vol. II, p. 304.)

Within a few years of the grant of this latter charter the opponents of the London Company, stimulated by its increasing prosperity and resenting the close control of the Indian trade exercised by Sir Josiah Child and the small group of stockholders, renewed their efforts to overthrow its privileged position. This time they were more successful. They succeeded in gaining the support

of Parliament which resolved in 1694 that "all the subjects of England have equal right to trade to the East Indies unless prohibited by Act of Parliament." Thus, while the Indian trade was confined by royal charter to the London Company, it was yet declared free to the nation by the House of Commons. Once again for the space of some years the interlopers found themselves free to trade with the East, a position of which they took full advantage.

While there was a powerful party which was opposed to the continuance of the old Company, desiring a more open trade and complaining of the lack of enterprise shown in the measures hitherto taken to develop the commerce of the East, Parliament was not disposed to throw the trade open to private competition. A new Company was therefore projected and in 1698 Parliament accepted the offer of a body of merchants to lend two million sterling to Government at 8 per cent. interest in return for a charter granting them the sole right to trade with the East. The Act took effect in 1698 when the King granted to the subscribers to the loan a charter incorporating them under the name of the English Company trading to the East Indies. Meanwhile, notice was given to the old Company that their privileges would cease on the expiry of three years. But the old Company had no intention of allowing itself to be extinguished so easily. It braced itself for the struggle and pursued its trading operations with increased vigour. For a short time a period of bitter competition ensued in the course of which the London Company had all the advantage of its established settlements in India and its accumulated experience in England. Before long the members of the English Company began to favour a policy of amalgamation. After prolonged negotiations this was effected and the result was the formation of the United

Company of Merchants of England trading to the East Indies, which was recognized by Parliament in 1708.

With the union of the two Companies the general conditions under which the East India trade was to be carried on for the next hundred years were laid down. The old methods of the regulated Company passed away and the trade remained entirely in the hands of a governing body in which was vested the control of the Company's affairs. The controversy regarding the export of bullion, which had been so keenly waged in the 17th century, came to an end and the Company was no longer subjected to any limit with regard to the exportation of the precious metals. It was, however, compelled to do some thing for British manufactures by accepting the obligation to export them to the value of a hundred thousand pounds yearly while it also undertook to supply a minimum quantity of saltpetre to the Government at a fixed price.

We have now to turn to consider more particularly the question of English tariff policy in relation to Indian trade. While, as we have seen, that trade offended against the earlier mercantilist doctrine by carrying from the country a large quantity of the precious metals, at the same time providing but a small market for the sale of English manufactures, it did not at first give ground for complaint on the score that imports from India competed to the harm of English industry. The principal import of the Company had for some years consisted of pepper and spices in which the margin between the cost price in the East and the selling price in Europe was sufficient to give very large profits. If it could not be argued that this trade was a source of national advantage it at least was a means to private enrichment.

On the other hand the raw silk at first imported from Persia and China and later from Bengal also supplied the

raw material for the English silk weavers. Indigo, which was also imported in considerable quantities, was of advantage to national industry. Germany, indeed, had an extensive cultivation of woad and feared the rivalry of indigo, which was there stigmatised under the name of Devil's Dye and its importation prohibited in 1654. England, however, had no motive to impede its entry, but wished rather to encourage it. Saltpetre, another prominent import, was specially valued as an ingredient in the manufacture of gunpowder. Not until the import into England of unusually large quantities of muslins and calicos during the time of the keen competition which preceded the formation of the United Company in 1708 did the manufactures of India come into direct competition with the industries of England and not until then did the question arise of restraining the admission of the former in the interests of the latter.

In Queen Elizabeth's time the principal duties consisted of the "ancient customs," divided into three branches. There was first the export duty upon wool and leather; secondly, an import duty upon wine, imposed at so much a ton and therefore known as tonnage; and, thirdly, an import duty on all other goods imposed at so much per pound value and therefore called poundage. The established poundage rate was 5 per cent. on the value and such a duty was known as a "subsidy." In addition to the "ancient customs," there were further duties included under the name of "new customs," sometimes called alien duties, levied upon alien merchants trading in England. In the reigns of Elizabeth and James I, the old duties were further increased by what were called the "new impositions."

The absence of precise records leaves doubtful the exact charges levied under these different heads upon the different classes of goods. Whatever they were, we know

that the East India Company by its charter of 1600 was allowed to export any unprohibited goods free of all customs duties and to re-export goods bought from India in English ships free of payment of customs. This exemption seems to have remained in force until the reign of William III, when, in 1690, an all-round export duty of 5 per cent. was levied on the goods sent to India. (Macpherson, "Annals of Commerce," Vol. III, p. 2.) This duty remained in force until 1714, when it was repealed and exports ceased to be taxed. (Macgregor. "Commercial Tariffs," p. 55.)

Upon the Restoration in 1660, the customs tariff was regulated by the Tonnage and Poundage Act of that year, imposing various rates upon every ton of wine imported and a 5 per cent. poundage upon goods imported and exported.

In order to avoid trouble and dispute between customs authorities and merchants as to the value of goods an official book of rates was maintained which contained the official values for customs purposes of all the principal articles of import and export. In addition to the 5 per cent. poundage a further duty of 3*s.* 4*d.* was levied upon the export of woollen cloths, while, by the continuance of the alien duty, foreign merchants paid double duties upon the export of wool, lead and tin, as well as an additional 3*d.* in the pound on the ordinary poundage duty.

In addition to these duties of tonnage and poundage certain other duties were levied in the reign of Charles II, chiefly upon the import of wines and spirits. It is thus clear that for the greater part of the 17th century, the tariff, so far as it affected trade with the East Indies, consisted of a low import duty of 5 per cent. *ad valorem.*

In 1685, however, a new 5 per cent. duty, known as the impost on French and East Indian linens and silks,

was imposed. (Act I, James II, Cap. 5). From now until the end of the century additional duties of various kinds were levied with great frequency, largely in order to provide the funds for carrying on the war with France. Particularly heavy duties were laid upon French goods, amounting by 1696 to 60 per cent. *ad valorem.* Thus so far as French silks, lawns and cambrics competed with the silks and muslins from India the latter at this time enjoyed a very large preferential advantage.

In 1698 "the new subsidy of tonnage and poundage" doubled the general rates of duty charged under the old subsidy of 1660, so that Indian textile goods imported into England would have paid in that year 5 per cent. under the old subsidy, 5 per cent. under the impost on linens and silks, and a further 5 per cent. under the new subsidy. Spices paid 5 per cent. under the old subsidy, 5 per cent. under the duty of 1695, and a further 5 per cent. under the new subsidy; while other goods imported from the East paid the 5 per cent. of the old and the new subsidies, or 10 per cent. in all.

We now come to the first instance in which the trade policy of England was directed against a branch of Indian industry in the interests of home manufacturers. The muslins and calicos of India are said by Macpherson ("Annals of Commerce," Vol. I) to have been introduced into England about the year 1670 when they were welcomed as rivalling the fine linens obtained from Flanders. Although these goods had certainly been imported considerably earlier than the date given by Macpherson it was not until the end of the 17th century that they seem to have given rise to any questions of trade policy. At that time the competitive action of the new East India Company and the old London Company appears to have flooded the English markets with Indian goods and the popular writers of the day began to prophesy disastrous

results to the home manufactures. In 1681 the silk weavers of London had already unsuccessfully petitioned the House of Commons against the wear of East Indian silks and cottons. In 1697 it was said "the silk weavers of London became outrageous on the ground that silk, calicos and other Indian manufactures, imported by the East India Company, were worn by all sorts of people." Economists like Davenant argued in vain that "trade is in its nature free, finds its own channel, and best directeth its own course." To encourage the silk industry had for some time been the object of Parliament and in 1700 an Act (II, William III, Cap. 3) for laying further duties on wrought silks, muslins and some other commodities of the East Indies was passed. On all bengalls and stuffs made of, or mixed with, silk. and on all calicos, painted, dyed, printed or stained, a further duty of 15 per cent. was levied, as also on all muslins. The duty on silks and painted calicos was in force only until 30th September 1701, but that on muslins was continued by subsequent Acts until the consolidation in 1787.

In the same year an Act was passed (II, William III, Cap. 10) "for the more effectual employing of the people by encouraging the manufactures of this kingdom." The preamble to the Act remarked: "the continuance of the trade to the East Indies, in the same manner and proportion as it had been for three years last passed, must inevitably be to the great detriment of this kingdom, by exhausting the treasure thereof, melting down the coin, and taking away the labour of the people." The Act went on to say that from January 1st, 1701, "the wrought silks, bengalls, and stuffs mixed with silk and huba, of the manufacture of Persia, China or East India, and all calicos painted dyed, printed or stained, and which are or shall be imported into this kingdom, shall not be worn or otherwise

used within this kingdom of England, dominion of Wales, or town of Berwick on Tweed." The law seems to have been but indifferently enforced for in 1720 a new Act was passed (VI, George I, Cap. 7) "to encourage the woollen and silk manufactures of this kingdom by prohibiting the use and wear of all printed, painted, stained or dyed calicos."

It is important to make quite clear to what classes of goods the prohibitory Acts of 1700 and 1720 really applied. This is possible by reference to the Act XII, William III, Cap. 11, of 1700. For the purpose of these various Acts imposing import duties and prohibiting the wear of certain goods from the East four classes of textile commodities may be distinguished. There were, first, the wrought silks, bengalls and stuffs mixed with silk. Second, the painted, dyed, printed or stained calicos. Both the above classes of goods were subject to an additional import duty of 15 per cent. by the Act III of 1700, and both were prohibited from being worn after the 29th of September 1701 by the Act X of 1700. But both classes of goods were allowed to be imported into warehouse for purposes of re-export. The 15 per cent. duty came to an end on the 30th of September 1701 and was not re-imposed. Thirdly, there was the class of goods known as muslins. These might be painted, printed, etc., or they might not. A large variety of this class of muslins were enumerated, *viz.*, Awbroaks, Abdaties, Betelles, Pandaties, Rowallew, Golconda, Oringall, Junays, Doreas, Coffaes, Tanjebs, Jamdannes, Mullmulls, Jecolsies, etc. The characteristic of muslins was that they consisted of cotton goods made of specially fine thread. They continued to be subject to an import duty of 15 per cent., the whole of which was repaid upon re-export, and if not painted, printed, etc., they might be imported for home use. The fourth class of goods was that known as white calicos and dimities.

These goods were not taxed by the Act of 1700, neither was their wear prohibited. By the Act of 1704, however, referred to below, an import duty of 15 per cent. *ad valorem* was imposed upon them, thus putting them on the same footing as muslins. The duty was subject to a full drawback upon re-export.

It is not uncommon to find these Acts referred to as prohibitions against the import into England of Indian cotton goods generally. Thus Robinson remarks: ("The trade of the East India Company," p. 139) "the Indian cottons enjoyed the distinction of being the subject of several Acts of Parliament. The introduction was held inimical to the English wool trade, and it was made illegal to purchase or sell them."

List makes an even stronger assertion. He declares that England "prohibited the import of Indian cotton and silk fabrics . . . the prohibition was complete and peremptory; not so much as a thread of them would England permit to be used."

The Imperial Gazetteer is doubly inaccurate. It says: "In 1721 an Act was passed prohibiting, in the interests of Manchester, the importation of printed calicos from India." (Vol. III, p. 195.) Not only is the mistake made of speaking of import as prohibited instead of wear, but the further absurdity is added of attributing the Act to a desire to help the cotton industry of Manchester.

It may be noted with regard to these Acts that the import was not prohibited at all and the Company continued to bring in considerable quantities of the goods the wear of which was forbidden, re-exporting them to the markets of Europe. Again, the Act only prohibited the wear of printed, stained or dyed calicos, which formed but one branch of the various kinds of Indian cotton manufactures imported. These Acts remained in force until 1825.

There is no doubt that the tariff policy of England became distinctly less liberal after the Restoration than it had formerly been. It is not so much that the ideas upon the subject of the protection of home industries had changed, as that with the development of the tariff and the passing of its control into the hands of Parliament it became a more effective instrument wherewith to influence foreign competition. Certainly the laws penalising the wear of Indian textiles were no isolated examples of discrimination on the part of England against the foreign rivals to her staple industries. At the same time as she was forbidding the wear of Indian printed calicos and silks she was placing even heavier burdens upon the woollen manufactures of Ireland in the interests of her own.

In 1696 the House of Commons stated that "we being very sensible that the wealth and power of this kingdom do in a great measure depend on the preservation of the woollen manufacture as much as possible entire to this realm, think it becomes us like our ancestors to be jealous of the increase and establishment of it elsewhere, and to use our utmost endeavours to prevent it." They proceeded to petition the King to discourage the woollen manufacture of Ireland with the utmost diligence, while doing everything possible to encourage the linen manufacture in its place, and the King replied—"I shall do all that in me lies to discourage the woollen manufacture of Ireland."

In the result prohibitory duties on the export of the Irish woollen manufactures were imposed by the Act X. William III, Cap. 5, and by the Act XI, William III, Cap. 10 the export of wool and woollen manufacture from Ireland was prohibited upon pain of forfeiture of goods and ships and a penalty of £500 for every such offence. A not less burdensome restriction upon Irish trade consisted in her exclusion from the benefits of the English Navigation

Acts. Under the Navigation Act of 1660 no distinction had been drawn between England and Ireland. It will be remembered that this Act ordered that no goods might be imported from the various plantations, or from Asia, Africa, or America, except in English, Irish, or colonial ships, whilst foreigners might not exercise the callings of merchant or factors in the English plantations. By the Act of 1670 Ireland was excluded from the privilege of direct importation and in future was compelled to carry on her foreign trade through English ports.

By the Act IV, George II, Cap. 15, this restriction was somewhat relaxed and direct importation into Ireland from the plantations was permitted except in the case of sugar, tobacco, cotton, wool, indigo, ginger, rice and certain other goods.

The policy of fostering the English textile manufactures by means of sumptuary laws was further exemplified by the Act of 1745 (XVIII, Geo. II, Cap. 36), by which the wear and exhibition for sale of French lawn and cambrics was prohibited. The statute does not seem to have been very successfully enforced and it was reimposed with additional penalties in 1758.

While the Government was thus legislating with the object of protecting the English woollen and silk industry the rapid increase of national expenditure, largely on account of the prolonged wars with France, led during the reign of Queen Anne to a great increase of indirect taxation for revenue purposes. So far as the duties affected the Indian trade the principal additions were the one-third subsidy of 1703 imposing a further $1\frac{1}{2}$ per cent. upon the goods subject to tonnage and poundage, the additional duties of 1704 which added a further 15 per cent. to calicos and other cotton goods, as well as 6*d*. per pound on coffee and a shilling per pound on tea, the two-thirds subsidy of 1704 which added two-thirds of

5 per cent. to the tonnage and poundage duties payable and the duty on pepper and spices, 1709, which imposed 1s. 6*d.* a pound on pepper and doubled the existing duties upon spices.

During the reign of George I no additional duty was placed upon the imports from the East, but in the reign of George II a subsidy of 5 per cent. *ad valorem* was added in 1747 and in 1759 a further subsidy of 5 per cent., from which, however, coffee and raw silk were excluded.

Two furthur Acts referring to the East Indian trade were passed in 1765. By Act V, Geo. III, Cap. 29, all former duties upon the import of raw silk were repealed and in their place a specific duty of 1s. 3*d.* per pound of 24 ozs. was placed upon raw silk and 6*d.* per pound of 15 ozs. upon thrown silk.

In the same year an export duty of 5 per cent. was imposed upon wrought silks, painted calicos, etc., the wear of which was prohibited in England.

It may be noticed that the *ad valorem* duties upon the goods of the East India Company were charged upon the prices realised at the Company's sales "by inch of candles."

No further duty was imposed upon the imports from India between 1759 and 1765. Thus at the time when the Diwani of Bengal was acquired by the Company and England began to be politically responsible as well as commercially interested in India, the principal and indeed practically the only articles of Indian manufacture imported into England, *viz.*, silk and cotton goods, paid an import duty of approximately 45 per cent. *ad valorem.* The duties upon the raw materials for the English textile industries imported from India were charged at a much lower rate, raw silk apparently paying 20 per cent. *ad valorem* and cotton wool 25 per cent.

A review of the trade between England and India during the period that we have been considering shows

that it progressed at a very moderate rate of expansion. This period was indeed, speaking broadly, one of industrial stagnation in England. The woollen industry which for centuries had been the staple manufacture of the country retained its old handicraft methods and neither in this nor in other directions were there any instances of far-reaching invention or improvement. The commercial policy of the time, concentrating upon the protection of the home markets, did not conduce either to progress at home or to a rapid growth of foreign trade. The population of the country was advancing but slowly and, in fact, remained stationary for a considerable period of the 18th century. The great achievement of England during this time consisted in the growth of her mercantile marine and the foundation of her colonial empire. It must be remembered, however, that the plantations, or colonies as they came latterly to be called, nearly all had their origin in trading ventures, a fact which largely explains the standpoint from which they were regarded by England. It was only natural that the various plantations that had sprung up as the result of the investment of English capital should have been thought of primarily from the mercantile point of view. They were essentially enterprises conducted for the profit of the country which had provided the men and money for their development, and the treatment of them was determined by the general policy of the time conceived as best calculated to promote the wealth of England.

So far as India was concerned that policy led to the exclusion of Indian silk manufactures and of printed and painted calicos for English use. These goods were increasingly imported, but only for purposes of re-export, except in so far as they were smuggled into the country. Upon such Indian cotton manufactures as were imported for English consumption a high rate of duty

was levied, exceeding by more than 100 per cent. the duty on the raw materials for the textile industries of England.

There is no complaint, however, by those who most frequently criticise the commercial policy of England in relation to India of any serious damage resulting to Indian manufactures as resulting from the mercantilist policy before 1765. The English market continued to be a relatively small one so far as Indian goods were concerned. Moreover the net result of England's trading relations with India must have been a very considerable increase in the total export of India's textile goods. For the markets for these goods were, and always had been, found chiefly in the East and England had brought a body of energetic traders, having at their command a large number of ships, whose chief activities were devoted to the Indian coasting trade and to that between India and the other countries of Asia.

In the succeeding period England's commercial ideas gradually underwent a remarkable change, but those changes did not begin to affect the tariff until the second decade of the 19th century; until then Mercantilism virtually retained its sway. It is this commercial policy that is frequently blamed for the alleged decline of Indian manufacture during the last years of the 18th and the early years of the 19th century. But, as a matter of fact, the policy was the same as had been in force for over a hundred years. While the policy remained the same, the industrial condition of England underwent a rapid change. The events of the Industrial Revolution placed England in the position of the first manufacturing country in the world, no longer satisfied with the protection of her home market, but anxious to stimulate in every possible way the foreign demand for her products. In no respect was the increase of her manufacture more remarkable than in the case of the cotton industry. Thus for the first time in history

there appeared a rival in the world's markets to the cotton goods of India.

The decline of India's cotton manufactures, which indeed was never either so rapid or so complete as is sometimes suggested, must be explained not by reference to the hostile devices of England's commercial policy, but to the advent of machinery which revolutionised the methods of production in the West, while leaving them for a number of years unchanged in the East.

CHAPTER VI.

Economic Disorders in India.

1765–1793.

In the preceding chapters a brief account has been given of the development of English trade with India in the hands of the East India Company under the conditions of native rule. Throughout that time the East India Company is to be regarded as a trading corporation primarily interested in earning a profit for its proprietors by means of commercial transactions. At the same time we have seen how it was gradually led to reverse the policy laid down by Sir Thomas Roe and to imitate the Dutch who conducted their trade 'sword in hand.' At first the efforts of the Company had been limited to the acquisition of fortified settlements which should serve as places of safety for the lives and property of the Company's servants. But the gradual break-up of the Mughal Empire and the increasing frequency of civil war and internal disturbances slowly convinced the Directors that it was necessary to strengthen their forces sufficiently to enable them to resist the incursions of the country powers and to maintain their trading privileges by the employment of their troops.

It was in consequence of the contests with the French in the Karnatic that the Company first began to draw largely upon the armed resources of England both at sea and on land for the preservation of its Indian interests. The sudden diversion of these forces for the purpose of avenging the attack of Siraj-Ud-Daula placed the Company in virtual possession, almost at a blow, of the richest province in India, whose territorial revenues soon became available for the continuance of the struggle

against the French in the south and for the gradual extension of the Company's authority over the native powers.

We have now to consider the consequences of this accession of the Company to power upon the industrial and commercial life of the people affected by it.

The period of early British rule is commonly described as the darkest age of Indian economic history. The decay of commerce, the destruction of native industries and the general impoverishment of the people are commonly emphasised as the chief results of the English conquest.

No impartial student of history will deny that the period of transition from the early conquests of the Company to the time when it seriously and effectively undertook the responsibility of Government was characterised by grave economic disorders which impoverished the provinces over which it exercised authority. But the mistake is not infrequently made of drawing a sharp distinction between the time before and after Plassey and of attributing the disorders of the latter period solely to the displacement of native rule by the Company. To do so is to commit a serious historical error. Some of these disorders were the inevitable consequence of the weakening of the native ruling power which had taken place quite independently of the presence of the English in India. For fifty years before Plassey Bengal had been constantly invaded by Marathas and Pathans who had laid waste large districts and exacted heavy tribute. Payments as large as those exacted from Mir Jafar by the Company in 1757 had been formerly sent from Bengal to Delhi as the price demanded from the Nawabs for confirmation in their office. The annual tribute rendered to the Mughal Emperor was four times as great in the days of the Mughal powers as it was after

1765. In 1772 it ceased altogether. The English conquest may have set up one drain while stopping another, but it at least gave peace and immunity from invasion in return.

It is commonly stated that the tribute to the Marathas or to Delhi returned to Bengal and served to 'fertilise' commerce. This is in large measure an unwarrantable assumption expressly denied by historians of the time. But, if the statement were true, it could only mean that the tribute was really paid in goods upon which manufacturing and trading profits were earned. The same may be said in very large degree of the tribute rendered to the Company.

Again, while the English traders undoubtedly inflicted loss upon the native merchants by the extension of their own trading privileges and by monopolising the sale of various articles, it is not to be supposed that these practices were new in the history of the country. Monopolies of the harshest character had frequently been established in the days of native rule, particularly in the time of Shaista Khan. In resisting the efforts of the Company to engage in the inland trade in 1717, Murshid Kuli Khan had based his argument on the fact that salt, betelnut, tobacco and several other articles of general consumption were either farmed out in monopolies or taxed with heavy duties, so that to allow the English to trade in these things would greatly reduce his revenues. (Stewart, "History of Bengal," p. 402.)

If the collection of the revenues in the early years of the Company's regime resulted in the dispossession of a number of zemindars and was attended by harsh treatment of the ryots, nothing occurred that was comparable with the treatment meted out to these classes in the days of Murshid Kuli Khan. Then, when a zemindar was in arrears of revenue, he was tormented by every species of

cruelty such as hanging up by the feet, bastinadoing, exposure in the sun in summer and being stripped naked and sprinkled with cold water in winter. If still the revenue remained unpaid the offending zemindars were liable to be dragged through a pond containing filth to which the name of Bickoont, or Paradise, was given in derision. "By such cruel and horrid methods he extorted from the unhappy zemindars everything they possessed and made them weary of their lives." (Stewart, "History of Bengal," p. 379.) The fact is that when the English came into possession of Bengal the condition of the country soon became the subject for minute investigation and was exposed to light by the searching enquiries conducted by parliamentary committees in England. The result is that attention has been focussed upon the abuses and defects of administration under the Company's rule, while those of earlier times have been largely disregarded.

It is none the less true that the final breakdown of native government after Plassey and the transference of authority to the hands of a small body of men, scarcely aware of their new responsibility and ignorant of the means to give it effect, afforded the opportunity for the forces of lawlessness and oppression to appear unrestrained.

For a time not a few of the servants of the Company were only interested to turn this opportunity to their own profit and advantage. Verelst, in his letter to the Court of Directors of the 30th September, 1765, refers to the conduct of a number of the senior servants of the Company in Bengal as involving transactions "which seem to demonstrate that every spring of this Government was smeared with corruption, that principles of rapacity and oppression universally prevailed, and that every spark of sentiment and public spirit was lost and extinguished in the inordinate lust of unmerited wealth." ("View of Bengal," Appendix, p. 1.) Even so it is

probable that they would scarcely have admitted to themselves that they were acting oppressively since they were merely following the practices which they had long seen in operation around them. To say this is not to attempt their justification. It is only to protest against the notion that at this time things were done which had not often been done before.

The measure of the condemnation to be given to those responsible for the early administration of the English possessions in India is afforded in a comparison between what one hopes and expects of British rule and what at first it actually achieved.

It is impossible to read the economic history of this time correctly without understanding and bearing in mind certain essential facts relative to the method of government and the attitude adopted by the servants of the Company towards it.

By setting up the puppet Nawab, Mir Jafar, in 1757, Clive had ostensibly left the machinery of native government untouched. For this there were several reasons. The hostilities against Siraj-Ud-Daula had been undertaken in order to secure the recognition of trade privilege, the right to purchase the 24-Parganas, and compensation for losses inflicted on the Company. But this was not all.

The Nawab of Bengal was a possible ally of the French and it was therefore necessary to deprive him of real power. Clive was thus determined that this power should remain with the Company.

To appear as the real conquerors and possessors of the richest provinces of India, however, would be to arouse the opposition of those in England who already resented the enjoyment by the Company of a monopoly of trade, and, still more, to excite the enmity of other European countries which possessed Indian interests.

The system of masked government was therefore adopted. The Company was to be the power behind the throne, while the internal government and the responsibility for its functioning were left in native hands. This divorce between power and responsibility lay at the very root of the economic troubles which rapidly began to show themselves.

A second fact is scarcely less significant. The servants of the Company had, practically without exception, come to India imbued with the idea of accumulating a sufficient fortune by engaging in trade to compensate them for the risks and disadvantages of life in that country. Their outlook and training were wholly commercial. When, therefore, they found themselves in a position of authority unburdened by responsibility their first thought was to turn their situation to their own commercial advantage. For some time India was regarded, both in England and by the Company's servants on the spot, as a commercial prize. Clive encouraged the Directors to regard their new possessions as a source of large profits that would flow in a steady stream into their coffers. At the same time the servants of the Company in India extended the notion of a monopoly of trade secured to them by charter between England and India so as to apply to all their trading activities in India itself.

A third fact must be borne in mind also. It was an ingrained belief in India that every position of authority, from highest to lowest, affords a just title to the receipt of material recognition from those who in any way benefit by its exercise. Bribes, presents, customary payments by inferiors to superiors, were an accepted part of the social system. When, therefore, every servant of the Company, European or Indian, came to be regarded as the embodiment of the real authority in the State he was put

in a position in which many doubtful payments would be not only voluntarily offered but in which he could exact them according to the measure of his power.

During the years 1757 to 1765, the years of the masked system of government, the outstanding economic fact was the breakdown in the finances of the native government, involving that Government itself in their fall. That breakdown may be attributed primarily to two causes, *viz.*, the increased demands made upon the revenues, and the diminished resources consequent upon the invasion of the inland trade by the servants and agents of the Company.

By the treaty with Mir Jafar in 1757, the Nawab undertook to make over to the Company the sum of £2,394,000 in compensation for the public and private losses sustained. It was supposed that the treasures of Siraj-Ud-Daula were amply sufficient to meet these payments. Forth, in a letter to the Company at Fulta, had written in 1756 to say that Siraj-Ud-Daula had counted his treasure at Murshidabad, which then amounted to sixty-eight crores of rupees, besides some gold and jewels. (Hill, " Bengal in 1765–7, " Vol. II, p. 53.) Whether or no this sum really existed it is certain that it never fell into the hands of Mir Jafar, who was compelled to arrange that the compensation to the Company should be paid by instalments and partly in jewels and plate. The Company's demands did not cease here. Further payments were made on the occasions of Mir Kasim's appointment as Nawab in 1760, of Mir Jafar's restoration in 1763, and on the accession of Najam-Ud-Daula in 1765.

The total payments made between 1757 and 1766 were calculated by the Select Committee of 1773 to have amounted to £5,940,498, of which £2,169,665 represented presents to private individuals while £3.770,883 was received into the treasuries of the Company. It will be

shown later when discussing the subject of the "drain" that these sums did not represent money exported to England, or even in the main withdrawn from local circulation. They nevertheless represented a heavy strain upon the public treasury. These resources were further depleted during this period in two ways. In 1760 the districts of Burdwan, Midnapur and Chittagong were ceded to the Company and their revenues in consequence were lost to the Nawab. When Mir Kasim occupied that position for the three years 1760 to 1763 he recognised the precarious nature of his tenure and determined to make the best use of his opportunity. In the course of these years he made heavy additions to the land revenue and when he fled to the protection of the Vizier of Oudh in 1763 he is said to have carried off treasure variously estimated at from 1½ to 3½ millions sterling. While the treasury of the native government was thus depleted by large and abnormal outgoings, its income was at the same time suffering from the rapid decline in an important branch of revenue, *viz.*, that from the inland customs. This arose from the invasion of the inland trade by the servants of the Company.

The receipt of presents from the native rulers by individual servants of the Company and their invasion of the inland trade as a means to private gain represented the two great abuses arising during the period of the masked government from the power newly acquired by the English. The second of these abuses was by far the more serious and demands special attention.

We have already seen that the trade of the Company proper was confined to the import of goods from England and the export of the commodities constituting the investment, while the other branches of the import and export trade had been left to private merchants, or to the servants of the Company in their private capacity.

Although the privilege of exemption from duties was granted, strictly speaking, to the Company's trade only, it had in practice been extended to all import and export trade conducted by the English. This was not unreasonable as the practice of leaving the country trade to the servants of the Company had been introduced as a matter of internal arrangement after the original privileges had been granted. From time to time sporadic attempts had also been made on the part of the English to engage in the inland trade and it was sometimes contended that by the terms of the imperial firman of 1716 the privilege of trading custom-free was extended to all departments of trade without distinction. The terms of the firman were as follows: "that all their mercantile affairs (*i.e.*, of the English Company), together with their gomashtahs have free liberty in all subhaships to pass and repass to and fro either by land or by water in any port or district throughout the several provinces (*i.e.*, of Bengal, Behar and Orissa). And know, they are custom-free; that they have full power and liberty to buy and sell at their will and pleasure." (Stewart, "History of Bengal," p. 544.) The native authorities of Bengal interpreted the firman as applying only to that trade to which the Company by long custom had been restricted, *viz.*, the trade of import and export. The servants of the Company, on the other hand, manifested a tendency to regard the firman as extending to them the right to take part in all branches of trade whatever and there is nothing in the firman itself to exclude such an interpretation. Verelst, however, rightly speaks of such an interpretation as "forced," since it was clearly contrary to the custom of the Company's trade as well as to the limitations to that trade which the Company had itself admitted. ("View of the English Government in Bengal," p. 9.) There is no doubt that the Nawabs viewed the attempts of the

English to engage in the inland trade with peculiar and natural jealousy. For if a large share of that trade passed into their hands and was carried on customs free an important source of revenue would be lost to the native government while the profits to the native traders normally engaged would also be largely diminished. So long as the Nawabs possessed the power to enforce their will they limited the activities of the English to the trade of import and export and there is no doubt that the Company acquiesced in this view of their rights as in accordance with long-standing custom.

After 1757 the customary restrictions were for a time largely disregarded and the servants of the Company exercised their powers in a new and wholly indefensible manner. Those resident in Calcutta sent out their gomashtahs, or native agents, to make purchases not only of the produce required for the export trade, but of the commodities which formed the common articles of consumption within the country, such as salt, betelnut, tobacco and grain. But the chief opportunities for the conduct of such trade occurred in the factories and aurungs in the country districts which became centres for the purchase and retail of almost every description of goods. The consequences of this great extension of trading on the part of the Company's servants were threefold. Since they now claimed that the privilege of exemption from the payment of inland duties extended to all branches of trade conducted by the servants of the Company the revenues formerly derived from the inland customs rapidly declined. Mir Jafar offered little resistance to this extension of privilege, but Mir Kasim strenuously opposed it and the result was that conflicts constantly took place between the trading agents of the Company's servants and the Nawab's customs officials who sought to collect the duties.

In these conflicts the servants of the Company did not scruple to employ the force of their sepoys to overawe the native authorities with the result, as the Nawab justly contended, that his Government was brought into general contempt. When this stage was reached every-one with the power to do so imitated the action of the Company and its agents.

Vansittart, then the Governor of Bengal, recognised the abuses to which these methods of trading had led and proposed an agreement with the Nawab to the effect that in respect of the inland trade a customs duty of 9 per cent. should be collected from the Company's servants and all other traders alike. This agreement was rejected by the majority of the Council who maintained that, having examined the authorities upon which their trade rested, they found that the English having the Company's dustocks were entitled to carry on their trade, as well foreign as inland, in the provinces of Bengal, Behar and Orissa duty-free. (Vansittart, "Narrative," Vol. III, p. 21.) The Nawab then took the bull by the horns and finding that the inland customs were no longer productive of revenue determined to strike at the root of the Company's newly claimed privilege by declaring the whole trade of his provinces free to Europeans and natives alike.

Hastings was one of the few who maintained that the Nawab was justified in his action and pointed out, quite logically, that if the Nawab possessed the right to permit the English to trade in articles from which they were formerly excluded he had also the right to make regulations with regard to the conditions upon which his own subjects might take part in that trade. (Vansittart, "Narrative," Vol. III, p. 75.) Indeed Hastings took the wide view that the removal of the inland duties would benefit trade in general by making the necessaries

of life cheaper than before. The loss of such an important preference, however, did not suit the majority of the Council and when Mir Kasim was removed the old duties were re-imposed while the Company's servants using the dustock were exempted.

The second and inevitable result of this discrimination was the impoverishment of those native agencies which had previously been occupied in the internal trade while the European servants and their native agents rapidly amassed large fortunes.

How far the general body of consumers suffered it is less easy to determine. It does not follow that because the servants of the Company were enabled to obtain various articles of consumption at cheaper rates than the native merchants that they also retailed them at enhanced prices.

It must not be overlooked that many of these articles were the subject of monopoly before the advent of the Company to power. At the same time it is reasonable to suppose that, by confining the inland trade to the dealings of comparatively few persons, producers were frequently compelled to supply the gomashtahs at lower prices while the consumers were not likely to benefit at the hands of those who were able to demand monopoly profits. It is certain that one of the greatest evils resulting from the invasion of the inland trade was the great abuse of their authority practised by the gomashtahs. Not only did they use their power to set the authorities of the country government at naught, but their name became a by-word for the harsh manner in which they treated the native manufacturers and cultivators. On this subject he testimony of the officers of the Company is eloquent.

Soon after 1757 letters from the English residents at Murshidabad testified to the grave effects upon the productive activity and trade of the province resulting

from the practices of the gomashtahs, sometimes really, but frequently only nominally, acting as agents of the English merchants.

Mir Kasim may have exaggerated but was probably not greatly overstating the case when he wrote " Every Bengal Gomashtah makes a disturbance at every factory and thinks himself not inferior to the Company. In every Purgunnah, every village, and every factory they buy and sell salt, betelnut, sugar, ghee, rice, straw, bamboos, fish, gunnies, ginger, tobacco, opium, and many other things more than I can write and which I think it needless to mention. They forcibly take away the goods and commodities of the ryots, merchants, etc., for a fourth part of their value, and by ways of violence and oppression they oblige the ryots to give Rs. 5 for goods which are worth but one rupee." (*Cf.* Verelst. " View of Bengal, " p. 37.)

Hastings himself wrote in 1762 : " I beg leave to lay before you a grievance which calls loudly for redress, I mean the oppressions committed under the sanction of the English name and through want of spirit in the Nabob's subjects to oppose them. This evil, I am well assured, is not confined to our dependants alone, but is practised all over the country by people assuming the habits of our sepoys and calling themselves our Gomashtahs."

Mr. Gray, Resident at Malda, writing in 1764, also remarked, " since my arrival here I have had an opportunity of seeing the villainous practices used by the Calcutta Gomashtahs in carrying on their business. The Government has certainly too much reason to complain of their want of influence in their country which is torn in pieces by a set of rascals who in Calcutta walk in rags, but when set out on Gomashtahships lord it over the country imprisoning the ryots and merchants

and writing and talking in the most insolent manner to the Foujdars and officers."

Verelst, in 1769, said that the causes of the great discouragement to which the trade of the province was then subject were to be found in "the undue influence which has been in general asserted by the agents of Europeans, who, joining the power which they borrowed from their masters' names and ascendencies to their native proneness to oppress, became tyrants instead of merchants, imposing goods upon the ryots at an arbitrary rate, compelling them to part with their labour at an under-price, and spreading the baneful effects of monopoly and extortion on every side of them."

Verelst calls attention to one of the causes which led to the increase of oppression by gomashtahs. It had been the practice of those merchants with whom the Company's servants made contracts for the supply of goods to advance money to the manufacturers without which the latter would frequently be unable to procure the materials for their work. When the Company sought rapidly to increase its investment its agents began themselves to enter into direct relations with the manufacturers as the number of native merchants possessed of the necessary funds to finance the workmen were insufficient. In doing so they had to guard against fraud on the part of the latter. These workmen, unless strictly watched, often resold their goods, after having received an advance from the Company, to strangers. The gomashtahs of the Company were therefore necessarily entrusted with power to enforce the contracts with the workmen, powers which they frequently abused to their own emolument, and the authority given to enforce a just performance of engagements became, notwithstanding the utmost vigilance of the higher servants, a source of new oppression. The influence of these agents proved so destructive of

industry that the Council determined to resume the old method of forming the investment by contracting solely with native merchants in different parts of the country. (*Cf.* "View of Bengal," p. 85.)

It was not long before the evils connected with the receipt by the servants of the Company of large monetary presents from the native rulers and with their monopoly of the inland trade attracted the notice and the condemnation of the authorities in England.

In 1764 the Directors in their general letter to Bengal wrote condemning "the diverting and taking from his natural subjects (*i.e.*, the Nawab's) the trade in the inland part of the country to which neither we nor any other persons whatever dependent upon us or under our protection have any manner of right. In order therefore to remedy all these disorders we do hereby positively order and direct that from the receipt of this letter a final and effectual end be forthwith put to the inland trade in salt, betelnut, tobacco and all other articles whatever produced and consumed in the country." These orders, however, were modified by the Court of Proprietors who were unwilling to deprive the Company's servants in India of so important a source of income. They passed a resolution, therefore, stating "that it be recommended to the Court of Directors to reconsider the orders sent to Bengal relative to the trade of the Company's servants in the articles of salt, betelnut and tobacco. and that they do give such directions for regulating the same agreeably to the interests of the Company and the Subah as to them may appear most prudent."

On the subject of presents the orders of the Directors were explicit and new covenants dated May 1764. were sent to be executed by all servants civil and military of the Company binding them to pay to the Company all presents received from natives if the amount exceeded a

thousand rupees and not to accept any present without the consent of the presidency.

Clive returned to India in 1765 with instructions to devise a plan for the removal of the abuses connected with the inland trade. His plan consisted in the formation of the Society of Trade. This society was to take into its hands all dealings in salt, betelnut and tobacco. The supplies were to be obtained through native merchants and to be retailed at reasonable prices. Duties were placed upon these articles for the benefit of the Company's revenues and the remaining profits were to be distributed in definite shares to the various servants of the Company according to their rank and seniority. Outside the transactions of the society Verelst wrote in 1766 that "all Europeans in your service or under your protection are now indiscriminately confined to trade in certain stated articles of import and export." ("View of Bengal," p. 36.)

The society had hardly begun operations before the Directors, strengthened in their original intention to put an end to the inland trading, issued strict orders that the society should be dissolved. It accordingly came to an end in 1768, the Company, nevertheless, continuing to control the sale of salt as a monopoly for the benefit of its revenues. The abuses did not end at once however. The Company's servants in India were loth to forego any means by which they could add to their fortunes. For a short while they openly resisted the orders of the Directors to sign the new covenants and the private trading in the articles of local consumption continued.

In 1765 the Company entered upon a new phase in the history of its administration in Bengal. The breakdown of the financial machinery of the Nawab's Government had become apparent and Clive determined to accept the offer of the Diwani already made by the

Emperor and to institute a system by means of which the ultimate control of the revenues of Bengal, Behar and Orissa should pass to the hands of the Company.

By his firman of 1765 the Emperor Shah Alam granted the Diwani of the three provinces to the Company and agreed to accept twenty-six lakhs of rupees per annum as the amount of his tribute to be paid out of the revenues. By the same firman the Company was excused and exempted from the payment of all the customs of the Diwani and royal demands. After remitting the sum of twenty-six lakhs to the royal Sircar and providing for the expenses of the Nizamut the balance of the revenues were to go to the benefit of the Company.

By the treaty of the same year with the Nawab Najam-Ud-Daula it was agreed that the Nawab should only maintain sufficient troops for the support of the civil officers of his Government. He also agreed that the revenue collection should be under the charge of a native official, or Naib Subah, appointed according to the approval of the Company and that the subordinate revenue officials should hold their offices subject to the approbation of the Governor and Council. For the support of the expenses of the Nizamut it was agreed to pay to the Nawab the sum of Rs. 53,86,131. The remaining revenues passed into the treasuries of the Company. Thus the Dual system of Government, which continued until 1772, was instituted.

The collection of revenue, except in the three ceded districts, continued in the hands of the native government, but it was under the control of the Naib Nazim who retained his position at the pleasure of the Company.

The other organs of government remained in native hands and were not under the Company's control, but the expenditure upon them was limited to the definite sum

named. Thus the Company was still without responsibility for internal administration and refused to regard itself as the sovereign power. In theory it merely held the important office of Diwan delegated to it by the Emperor Shah Alam, although the delegation was, in the words of the firman, to be 'for ever and ever.'

The sovereignty of the Emperor was purely nominal. He had expressly limited his claim to the revenues to a fixed annual sum, while his viceroy, the Nawab, had equally undertaken to maintain no troops other than those necessary for the civil administration. Although the masked system of government still, in a sense, continued, the Company was the real power to which obedience had to be paid. But the Company still wished to appear in the rôle of a trading body and for some years it took no steps, outside the ceded districts, to set up its own organs of administration. Its ambition was to leave that administration in native hands but to secure as large a surplus revenue as possible to be employed in the purchase of the investment for the profit of the proprietors. The position was essentially illogical and unstable. The Company possessed the power without the responsibility. The native Government possessed the responsibility without the power. Two forces in particular were at work which in the course of a few years compelled the Company to begin to undertake direct administration. On the one hand the rapid increase of expenditure resulted in the complete disappointment of the expectations in which the Directors and Proprietors had been led to indulge of a large annual tribute available for the payment of dividends in England. In their desire to make the revenues adequate to the expenditure they were led to make a number of experiments in the direction of supervising and controlling the revenue collection which thus gradually passed into the hands of the Company's servants.

9

On the other hand the English authorities became convinced that their commercial interests were being sacrificed to the private interests of their servants in India. Those of the Company required that Bengal should be prosperous while the Directors were constantly receiving evidence that Bengal was in a state of economic decline. The Company's servants were growing rich, but the Company was growing poor.

These considerations led to important changes. In 1771 the Directors decided to abolish the office of Naib Diwan and to stand forth as Diwan and by the agency of the Company's servants to take upon themselves the entire care and management of the revenues. The function of revenue collection was therefore transferred to the councils of revenue at Murshidabad and Patna in 1772. This step may be said to mark the close of the Dual system of Government and the entry of the Company upon the task of direct administration.

At the same time a determined effort was made to prevent the servants of the Company from neglecting their proper duties and devoting themselves to private trade. Public opinion in England was becoming urgent in its demand that the abuses connected with this trade should cease. In 1770 Parliament passed an Act (X, George III, Cap. 47) by which civil and military servants of the Company were made amenable to the court of King's Bench in England for acts of oppression committed in India.

In 1773 Parliament took the first important step towards establishing its control over the conduct of affairs in India by passing the Act commonly known as the Regulating Act. This measure placed the government of Bengal in the hands of a Governor-General and four councillors, nominated in the first instance by the Crown. The Governor and

Council of Bengal were also to have a general authority over the three presidencies. The Governor-General and councillors were strictly forbidden to receive any gifts or presents of any kind, or to have any dealings or transactions by way of traffic or commerce for their private benefit or advantage. The Act also constituted a supreme court at Fort William the primary purpose of which was to set up a tribunal on the spot which should be competent to bring to justice servants of the Company guilty of transgressing its orders. The judges of the supreme court were also interdicted from taking part in trade. Thus the first important distinction was drawn between the trading functions and the governing functions of the Company. The members of council and the judges were awarded large salaries in order that they might be under no temptation to break the law restraining them from receiving presents or engaging in trade. The Act also declared that all supervisors, collectors and other persons engaged in the collection of revenue or the administration of justice were prohibited from buying or selling goods and no British subject at all was to engage in the inland trade in salt, betelnut, tobacco or rice. It had become the habit for the servants of the Company and private British traders to lend out money to the natives. By one of the clause of the Act all British subjects in the East Indies were forbidden to take more than 12 per cent. interest on such loans.

In his determination to put a stop to the abuses connected with trade Hastings went even further than the Regulating Act. By his Regulation 26 of 1774 the members and assistants of the Provincial Councils and other covenanted servants of the Company residing in the subordinate factories and out-districts were restricted "from making advances for grain or any such articles as

contributed to the subsistence of the natives and cannot be dealt in without oppression to them such as ghee, oil, fish, jute mats, straw, bamboos, betelnut and tobacco, and they shall purchase only with ready money at the capital markets of the country."

With these measures the abuses connected with the inland trade were brought under control. Although it was still possible for a section of the Company's servants to take part in such trade they were no longer able to do so under conditions of special advantage. Any instances of oppressive action or unlawful conduct quickly came to the ears of the authorities and led to an immediate inquiry. Henceforth the complaints against the Company's commercial agents were limited to their conduct connected with the making of the Company's investment and the purchase of commodities for the private export trade.

We may now turn to consider another factor to which the economic decline of the country during the early years of the Company's rule is partly ascribed, *viz.*, the drain of resources from Bengal.

In discussing the subject of the drain, or tribute, four main points have to be considered, *viz.*, the amount of the drain; its form; its destination; and its economic effect.

Regarding the amount of the drain the most distorted and exaggerated opinions are frequently to be found in works dealing with Indian economic history. These are indeed usually expressed in vague terms, but they convey the impression that soon after the victory of the English at Plassey a vast stream of wealth began to flow from India into England which, while impoverishing the former country, served as the basis for the subsequent industrial prosperity of the latter. Thus Montgomery Martin speaks of "the immense and absolutely incalculable amount of specie exported from India between 1757 and 1770." ("History of the Indian Empire," Vol. I, p. 311.)

Brooks Adams remarks that "possibly since the world began no investment has ever yielded the profit reaped from the Indian plunder." "Very soon after Plassey," he says, "the Bengal plunder began to arrive in London and the effect appears to have been instantaneous, for all authorities agreed that the Industrial Revolution began with the year 1760." ("The Law of Civilization and Decay," p. 249.) Digby, who quotes Adams with approval, adds that probably between Plassey and Waterloo a thousand million pounds were transferred from Indian hoards to English banks, and states that "England's industrial supremacy owes its origin to the vast hoards of Bengal and the Karnatic." ("Prosperous British India," p. 31.)

The notion of the immense stores of wealth flowing into England in the years immediately after 1757, commonly referred to as the "Plassey Plunder," sufficient in amount to revolutionise the industrial life of England, is as ludicrous as the calculation that a thousand million pounds was ever in any period transferred from Indian hoards to English banks. While it is impossible to make precise calculation of the actual amount of the drain, a sufficiently close idea of the truth can be obtained to prove the absurdity of the statements that have been quoted.

At the time of which we are speaking Bengal was the only province from which such a tribute could be obtained. Madras had no important territorial revenues until the cession of the Northern Circars in 1765 and these fell far below the income necessary for the long and expensive wars in which that province was engaged until almost the close of the century. The territorial possessions of Bombay were insignificant. The Company had indeed come into virtual possession of the town of Surat and in 1775 captured Salsette. In the same year, as the

result of a successful conflict with the Marathas, the Bombay presidency obtained, but only for a short time, territory having an annual revenue of £240,000. Like Madras, however, its income continued far below its expenditure.

In the discussion of the drain therefore we may for practical purposes confine attention to the province of Bengal.

The notion of a drain, or tribute, essentially suggests an outflow of wealth for which there is no inflow in exchange.

Considering Bengal as a unit payments made to other parts of India for which there was no material return may be regarded as a drain equally with similar payments exported to Europe.

As has been already suggested a drain from Bengal to other parts of India has been commonly differentiated from a drain to England on the ground that while the former in a large measure returned so as to stimulate production the latter represented wealth finally abstracted. This distinction arises from a confusion between the conception of a political nation and that of an economic nation. The impediments to trade between Bengal and Delhi may have been less than those affecting the trade between Bengal and England. It was however only a question of degree. To draw a rigid distinction between the two kinds of drain, therefore, is based upon an error in economic analysis. Nevertheless it was the drain to England that in popular discussion was supposed to impoverish Bengal while the drain to other parts of India has been regarded as of little moment.

The sources of the drain so far as it arose from the presence of the East India Company in Bengal were two-fold. It might spring from funds acquired by the Company itself, or from the private gains obtained by its

European servants. Again, the surplus funds of the Company were obtained either from payments of various kinds under the head of compensation or reward of services, or from the regular territorial revenues.

With respect to private gains it is important to distinguish the different uses to which they were put. They might be used for the purchase of commodities directly exported to England as part of the private trade. They might, in the second place, be transferred to the English Company in return for bills of exchange payable in London. When so transferred the funds might be used by the Company in India either for the purpose of meeting its administrative expenditure, or for the purchase of its investment for export. In the former case there was no drain from India although there may have been a drain from the province of Bengal to the other provinces which it subsidised. In the third place the private gains may have been transferred to other European Companies in exchange for bills on their European branches and again used either for the purchase of the goods exported by them, or for meeting their administrative expenditure.

It is thus clear that in estimating the amount of the drain account must not be taken of the whole amount of the private gains amassed by the servants of the Company, but only of such part as were actually embodied in commodities which left the country in one of three ways, *viz.*, as part of the Company's investment; as direct export by the Company's servants; or as indirect export in the shape of the investments of other European Companies.

The mistake is often made of supposing that the whole amount of the bills of exchange, by means of which individuals transferred their wealth from England to India, should be regarded as part of the drain, in addition to the commodities shipped by the English and European Companies. This, of course, is not so. The funds

received in India in respect of which the bills were given were largely spent in India. In respect of these no corresponding commodities were exported at all. The bills on presentation in England were paid, not from the proceeds of the sale of commodities, but from the reserve funds of the Company upon which they constituted a heavy drain.

It was for this reason that the Company was restrained by the Act of 1773 from accepting such bills to an amount of more than £300,000 per annum.

As regards such part of the private funds as were borrowed in India for the purchase of the investment the real export consisted of the investment itself. Thus to count the bills as well as the investment would be to count the same item twice.

The drain properly consisted only of the commodities exported by the Company from the proceeds of its surplus revenues, or from borrowed money; of the commodities exported in private trade by the Company's servants; and of the commodities exported by the other European Companies and financed by bills given to the Company's servants.

To estimate the total, therefore, it is necessary to know the amount of the Company's export for which there was no corresponding commercial import; similarly the amount of the private export; and thirdly the amount of the foreign Companies' export that was financed by bills given to the English traders.

It is necessary to consider the form in which these exports were made.

For some years after the grant of the Diwani constant attention was drawn to the difficulties arising from the shortage of silver in circulation as currency. From this a hasty inference seems to have been made to the conclusion that the large sums received as com nsation

after Plassey, as well as the profits from private trading and the surplus territorial revenues, were sent to England in the shape of specie. Hence the remarks about the vast transference from Indian hoards to English banks and Martin's statement that an immense amount of specie was exported from India between 1757 and 1770. The idea that any such export occurred is almost entirely a delusion. The proof of this may be drawn from three considerations, *viz.*, the complete silence of the historical records regarding such specie exports to England; the heavy loss which would have attended such a mode of remittance; the financial circumstances of the Company in England and in India. Further, it can be shown that the assumption of a large specie export is not necessary to account for the shortage of silver in circulation in India.

If between 1757 and 1770 a large drain of specie to England had occurred it is almost impossible to suppose that the fact would have been passed over in silence by Verelst in India and by the Select Committee of 1773 in England as well as by Burke in his report of 1783. The subject of the drain was exhaustively considered by these authorities and by none of them is it suggested that England obtained a large influx of silver from India.

Verelst, who had the whole of the records before him, in his "View of Bengal," published in 1772, discusses the subject of the drain and of the shortage of currency in Bengal in detail, but is completely silent on the subject of any export of specie to England. Speaking of the drain he says, "In the five years next succeeding the grant of the Diwani the sums exported in silver by the English Company alone amounted to £1,284,008 sterling." ("View of Bengal," p. 85.) But in a preceding passage he explains that this sum was not exported to Europe at all, but was sent either to meet the

expenses of the settlements at Madras and Bombay, or to purchase the Company's investment in China. (*Op. cit.*, p. 81.)

In order to pay for the troops employed by the presidencies of Madras and Bombay heavy remittances in currency were sent from Bengal. The practice of sending silver from Bengal to China commenced as early as 1757 and continued to be an annual occurrence.

The amount so sent does not appear to have exceeded some £300,000 in any one year and averaged about £100,000. Verelst thus accounts for the whole of the Company's specie export to which he refers independently of any remittance to England.

That the servants of the Company were likewise not engaged in remitting silver on an appreciable scale to England appears equally from the silence of the records on a matter that must have attracted notice and from the fact that they so constantly made use of foreign bills although this practice was strongly condemned by the Company and by public opinion in England.

In referring to the difficulties experienced by free merchants and servants of the Company in remitting to London, Verelst remarks, "We fear lest many will be tempted and find means in spite of our utmost endeavours to remit the whole or part of their fortunes in specie which would prove still more injurious to the country than even remitting by foreign funds." (*Op. cit.*, p. 60.)

This passage not only suggests that remittance in specie had not hitherto occurred, at any rate to any considerable extent, but shows that the Company were determined to prevent it.

The export of specie to England at that time is further inherently improbable by reason of the loss which it would have involved. When speaking of the introduc-

tion into Bengal of a gold currency in 1766, Verelst gives as a reason for over-valuing the gold mohur the necessity for preventing its exportation to Europe. He remarks, "had gold and silver been established at the same relative value as in the European markets, the exportation of gold would have been easier than that of silver, which, on account of its bulk, does not admit the same clandestine conveyance." (*Op. cit.*, p. 97.)

The necessary implication of this passage is that, while precautions might be easily taken to prevent an export of silver, the loss in respect of such remission on account of heavy freight charges would have been considerable.

In the Report of 1783 reasons are given why the tribute sent to England took the form of goods comprising the Company's investment. "To send it in silver," says the Report, "was subject to two manifest inconveniences. First, the country would be exhausted of its circulating medium; second, to send silver into Europe would be to send it from the best to the worst market. It was necessary therefore to turn the Company's revenue into its commerce."

The fact is that an export of silver would have been extremely unprofitable. By the purchase of bills or of ordinary commodities a remittance could be obtained at an exchange usually varying from 2*s.* 2*d.* to 2*s.* 6*d.* per rupee. By exporting silver to London an exchange of about 1*s.* 9*d.* would have been realised. It is not likely that private individuals in remitting their fortunes would have submitted needlessly to such a loss. When the purchase of ordinary commodities or of bills fell short it was cheaper for individuals to send diamonds which even members of the Supreme Council were allowed by the Regulation of 1774 to purchase for this purpose. (Firminger, Fifth Report, Vol. I, p. ccxxxvii.)

At the time when these vast quantities of silver were supposed by later writers to have been pouring into England the Company was in fact hard pressed for funds.

In 1771 the accounts of the Company in London showed a deficit of £1,293,000 and £600,000 was borrowed from the Bank. This was not enough and applications were made to Government for a loan of £1,000,000. Clearly the silver had not found its way into the coffers of the Company.

The common belief that has arisen from tracing a connection between the admitted transference of a portion of the resources of Bengal to England after 1757 in the form of a tribute, that is as a payment for which no economic return was made, and the silver shortage in Bengal which attracted so much attention for some years from 1766 onwards, is really without foundation. For the common belief is that the tribute took the shape of a great flow of silver from India to England whereas, in fact, no such flow in more than a merely negligible quantity ever took place. Yet even Shore in his minute of the 18th June, 1789, in referring to the remittance by bills says, "a considerable proportion was probably sent in specie by the drawers to answer them." (Firminger, Fifth Report, Vol. II, p. 32.) This statement appears to be quite gratuitous and displays a strange ignorance on the subject of finance. In the same minute Shore states "that silver bullion is also remitted by individuals to Europe; the amount cannot be calculated, but must, since the Company's accession to the Diwani, have been very considerable." (*Op. cit.*, p. 33.) This is a definite statement which might appear to be based upon facts that were common knowledge. But if they actually occurred such remittances must have been recorded in the shipping accounts of the Company and thus have been calculable. That such an export was

not a matter of common knowledge is suggested by the manner in which Grant refers to it in his "Analysis of the Finances of Bengal." So far from accepting the export of specie as a known fact he speaks of "the *presumed* great drain of specie" and goes on to argue that such a drain had not occurred to the extent necessary to hamper the productive activities of the country. (*Op. cit.*, p. 273.)

The assumption of an export of bullion to England is not required in order to explain the acute shortage of currency that began to be prominently noticed about 1766. It arose in part from the generally disturbed state of the country such as always in India produces an increase of hoarding.

Thus "Zemindars and Collectors combined together to prevent a detection of their frauds, and, sensible of their own precarious condition, laboured by every oppression to accumulate that species of wealth, which, capable of concealment, seemed alone to deserve the name of property." (Verelst, "View of Bengal," p. 75.)

Two other facts must not be overlooked. In the first place the French and the Dutch Companies were accumulating large stores of silver. Verelst referring to the French Company says, "I have the most certain information that their treasuries at Pondicherry and Chandanagore are amply furnished with all provision for their investments and expenses for three years to come."

In the second place the scarcity of silver had enabled the Shroffs and native Bankers to make a large profit by first gathering currency into their hands and then parting with it at a premium. Thus the European merchants writing to the authorities of the Company in Calcutta in 1769 said "The Shroffs had so far taken advantage of the necessity of individuals that they had made the change of money from a bare livelihood to a most advantageous trade to themselves and a distressful tax upon every man

who wanted money beyond the bounds of Calcutta; yet at that very time any sum might have been had in silver by paying a high premium to those people who had it in their possession. From this we are led to believe that there is still specie sufficient for the trade of Bengal though perhaps not enough to answer the currency of this extensive town."

But the primary reason for the silver shortage was the cessation of the bullion imports from Europe upon which the country had long depended for the renewal of its currency. How small a shortage of specie sufficed to disorganise the collection of revenue and the conduct of trade is suggested by the fact that in former days it had been a frequent complaint that the despatch of the revenue from Murshidabad to Delhi left Bengal exhausted of specie. Mandeville, in 1750, stated that the payment of the revenue at Delhi "sweeps away all silver coined or uncoined which comes to Bengal; so that as soon as such treasure is gone from Muxadavad there is hardly currency left in Bengal to carry on any trade or even to go to market for purchases and necessaries of life till the next shipping arrives to bring a fresh supply of silver." (Firminger, Fifth Report, Vol. I, p. clxxvi.)

The first effect of the payments to the English after Plassey was probably to put into circulation a certain amount of specie that would otherwise have been hoarded but when these resources were gone and the cumulative effect of the suspended imports of silver from Europe began to be felt the scarcity of currency became acute.

Verelst estimated the deficiency of the import of the precious metals into Bengal for the years between 1757 and 1766 at eight million sterling. He bases his calculation upon the following data:—

"Between 1757 and 1765 the French, having lost their settlements, ceased to trade in Bengal. Previously

they had brought into the province silver to the amount of £200,000 per annum on the average. The English Company after Plassey discontinued sending bullion to Bengal. This had previously averaged £250,000 per annum.

"The Dutch, who were the chief importers of silver, used largely for the purchase of opium, the trade in which was chiefly in their hands, sent no bullion to Bengal for more than four years after the capture of Chinsura. They had previously imported £300,000 per annum.

"Further, Bengal had enjoyed an export trade to Persia and the ports of the Red Sea which brought in a balance in specie of some £180,000 per annum. Disturbances in Persia as well as the fact that the cotton goods of Bengal were at this time engrossed by the European Companies to provide for their own investments greatly reduced the export trade to these places. To the interruption of this normal inflow of specie from the various sources referred to there was added the abnormal export to China and to the other provinces of India." ("View of Bengal," page 86.)

To meet the shortage of silver the Company decided to introduce a gold currency which should circulate alongside of the silver currency. In 1766 a gold mohur, declared the equivalent of fourteen rupees, was put into circulation. It was over-valued, however, and was not readily accepted. Consequently it was replaced in 1769 by a new gold mohur which was made equivalent to sixteen rupees.

The cessation of silver imports from England continued and although those of the other European Companies were to some extent resumed they were not enough to supply the deficiency. The provinces of Madras and Bombay continued to receive supplies from

Bengal although after the introduction of the gold currency Madras was partly paid in that medium. In addition to the silver sent by the Company to China a further amount was probably also remitted there by private merchants. When the various causes contributing to produce a shortage of currency to which reference has been made are considered, it becomes unnecessary to assume that any large export of silver to England took place.

The shortage continued to be felt for some time although not so acutely as during the few years preceding the issue of the gold currency. Gradually the tide turned and once more bullion began to flow on balance into Bengal at a considerable rate. Before the end of the 18th century China was sending a considerable quantity of silver to India in return for opium and raw cotton. America also remitted a large amount after 1793. For the eleven years 1795–1805 treasure was brought into Bengal from America to the value of Rs. 3,73,16,426. The import of treasure from all sources in the same period was Rs. 8,59,59,689.

It having been shown that the drain to England did not take place to more than a negligible amount in the shape of specie it remains to consider the probable amount of the drain in merchandise.

Of the so-called "Plassey Plunder" itself a not inconsiderable amount did not come into English hands at all. Thus £200,000 was paid as compensation to the Indian inhabitants of Calcutta and £70,000 to the Armenian inhabitants. Again, £500,000 was distributed in bonuses to the soldiers and sailors who had taken part in the recapture of Calcutta.

A large part of this sum was rapidly squandered in an orgie of feasting which is said to have cost many of the troops their lives. The rest of the "plunder" was

mainly absorbed by the Company for the purpose of meeting its heavily increased expenditure and only a small part was employed for the purchase of the investment.

When we turn from the drain arising from the so-called Plassey Plunder itself and consider that created by the payment of the newly acquired territorial revenues it soon appears that Clive's estimate that the Company in London 'would receive something over a million per annum as tribute was rapidly belied. The Bengal surplus went, for the most part, not to England, but to support the Company's troops in the Karnatic and in Bombay.

From accounts presented to Parliament we have a statement of outlay and income on territorial affairs for the periods 1761 to 1766 and from 1766 to 1774. They are as follows (*cf.* Milburn, "Oriental Commerce," Vol. I, pp. lii and lviii) :—

PERIOD 1761–1766.

Income—	£
Revenues of various kinds received into the Bengal treasury	3,240,000
Further Revenues	1,080,000
Net Revenues of Bombay	349,000
„ „ „ Bencoolen	75,000
Total for 5 years ...	£5,760,000 *
Expenditure—	£
Bengal, civil and military, etc.	4,108,000
Fort St. George, civil and military, etc. ...	1,984,000
Bombay, civil and military, etc.	1,124,000
Bencoolen, civil and military, etc.... ...	172,000
Total for 5 years ...	7,388,000
Thus expenditure exceeded income by ...	£1,628,000

* (Milburn and Macgregor, the latter merely copying the former, give the figures as in the text. It will be noticed that the total really adds up to £4,744,000. The apparent arithmetical error may possibly be due to the accidental omission of the Revenues from Fort St. George.)

PERIOD 1766–1774.

Income—	£
Net Bengal Revenues	19,790,000
„ Madras „	3,950,000
„ Bombay „	670,000
„ Bencoolen „	90,000
Received from Nawab of Arcot	1,900,000
Total for 8 years ...	26,400,000
Expenditure—	£
Bengal, civil and military, etc.	13,166,000
Commission on Bengal Revenues... ...	424,000
Madras	5,530,000
Commission on Madras Revenues ...	168,000
Bombay	2,850,000
Bencoolen	385,000
Total for 8 years ...	22,523,000
Leaving a surplus in 8 years ...	£3,877,000

If these accounts are correct it is clear that during these years the Company gained little from its territorial possessions and that during the earlier period it was a heavy loser.

Before 1757 the investment from Bengal amounted to about £300,000. After that year it gradually rose and was £500,000 in 1766 and £700,000 in 1768. In 1769 the amount fell and the investment was partly purchased not out of the revenues, but from money borrowed on interest bonds from private merchants. After 1770 the revenues of the Company improved and the amount of the investment purchased from them increased. For the four years 1777–1780 the goods exported from Bengal and purchased in part from the territorial revenues, in part from the proceeds of the sale of European goods, and in part from the profits of the monopolies of opium and salt varied from £1,000,000 to £1,200,000. The frequent wars in which the Company was then engaged, however, caused a heavy drain upon its revenues and in 1781 Francis wrote to the Court of Directors—

"It is my serious opinion that you will never again have an investment purchased with any savings from the Revenues of Bengal."

In 1782 the Governor and council declared that owing to the demand upon their resources no investment could be made out of the revenues, but that in order to prevent a complete stoppage of export trade from India to England they proposed to receive subscriptions from individuals in India for furnishing an investment; the subscribers were to be allowed to use the Company's ships for the purpose of transmitting their goods.

It can thus be seen that while for a few years an investment had been provided, largely from the Company's revenues in Bengal, amounting to as much as £1,200,000, such remittance was nevertheless very irregularly sustained and upon the average amounted to a very much smaller sum. In some years the investment ceased altogether; in others it was provided not from revenue but from the proceeds of loans and it is to the comparatively small amount of the tribute received by means of the investment that the constantly recurring financial difficulties of the Company in London were due. A large part of the proceeds of the goods coming to the Company's Sales had to be paid out to private individuals in liquidation of the bills drawn in India.

According to the Lords' Committee of 1831, the bills drawn upon the Directors between 1708 and 1828 were as follows. (Report, pp. 567–8.)

1705–1731	... £ 1,100,000 = £ 400,000	av. per	annum.
1732–1763	... £ 7,320,000 = £ 227,000	,,	,,
1764–1778	... £ 6,996,000 = £ 466,000	,,	,,
1779–1791	... £11,278,000 = £ 867,000	,,	,,
1792–1813	... £26,158,000 = £1,143,000	,,	,,
1814–1828	... £15,302,000 = £1,020,000	,,	,,

If the total drain in merchandise that came into England directly between 1757 and 1780 both on account

of the Company's territorial tribute and of the gains of the private English traders were estimated at a total of £1,000,000 per annum, it is probable that the estimate would be in excess.

There is no means of calculating with any precision the drain remitted indirectly by the export of commodities by the other European Companies for which payment was ultimately made in London. The report of the Select Committee of 1782 states that the amount so remitted was probably not much less than £1,000,000 sterling annually. This is not likely to be an under-statement, and if the total foreign drain to England, direct and indirect, between 1757 and 1780 was estimated at a million and a half sterling per annum, it is probable that such an estimate would not place the amount too low.

The principal drain from Bengal at this period was not a foreign drain, but a drain to the other provinces within the country largely arising from the frequent wars in which the Company was engaged. In considering the effect of this drain, which undoubtedly constituted a heavy tax upon the resources of the province, it must not be forgotten that if the Company created a drain in one direction it stopped a drain in another.

As we have seen the normal tribute to Delhi was reduced in 1765 from nearly $1\frac{1}{2}$ millions to $\frac{1}{4}$ of a million and ceased altogether in 1772. Under native rule the province of Bengal had been subjected to further heavy occasional taxation the proceeds of which were also drained from the province as in the case of the two millions paid by Alivardi to the Emperor in 1741, and the amount, probably even larger, carried off by Mir Kasim in 1763. To all such liability to periodic plunder English rule put an end.

In discussing the economic disorders which followed upon the breakdown of native government and the

acquisition of power by the Company in Bengal attention has been chiefly directed to the invasion of the inland trade, the shortage of currency and the drain of wealth. One further topic claims attention. The methods adopted by the Company in making its investment at this time are said to have been such as to depress the trade of the country and to have contributed largely to the destruction of native manufactures. This charge may be briefly examined.

The manner in which the Company in India contributed to the provision of the English investment was, on the one hand, by exporting to China raw cotton, opium and a certain quantity of silver wherewith to purchase tea, Nankeen cloths and raw silk for the London market; on the other hand, the investment consisted of a direct export to England consisting chiefly of cotton and silk piece-goods, raw silk and saltpetre. It is with the methods adopted for the provision of cotton piece-goods and of raw silk that we are here chiefly concerned.

The cotton piece-goods for the investment were obtained in two ways: by contracts entered into with the native Dadney merchants and by direct purchase from the weavers through the factories and aurungs of the Company.

When the amount of the investment increased after the acquisition of the revenues the former method was largely given up in favour of the latter. A difficulty was experienced in finding Dadney merchants with sufficient capital to carry on the extended trade. Moreover the increased demand for cloths resulted in the merchants obtaining contracts at greatly enhanced prices while they were said to supply goods of a very defective quality. It was also said that the agents of the native merchants treated the weavers with great harshness. The Company therefore increased its direct trading with the weavers

and in doing so are accused of having established a monopoly which contributed largely to the decline in cotton-weaving in Bengal.

It has already been pointed out that when entering into contracts with weavers for the supply of cloths it was in nearly all cases a necessity that cash advances should be made to them for the purchase of their raw material. The weavers were poor cottage workers earning commonly not more than six or eight rupees a month from their labour and possessed of no capital. There is no doubt that normally the advances would be received readily enough, although the charge was commonly made that they were often forced upon the manufacturers by the agents of the Company and this was probably sometimes the case.

Once the advances had been received the weavers were prohibited from supplying other customers until the contract with the Company had been completed. In order to enforce this rule the native servants of the Company were in the habit of visiting the weavers' houses and stamping the cloth in the process of manufacture with the Company's mark, or "chop." Such weavers as failed to complete at the end of the year the supply of cloths in respect of which an advance had been made were said to be "in balance" to the Company and as long as this balance continued the weavers were not allowed to supply cloths to other people. The number of weavers thus "in balance" was very large. The position of the weavers was further prejudiced by the imperfect manner in which the contracts between them and the Company were recorded. It was not infrequently a matter of doubt as to which weavers were really in balance to the Company and thus the way was opened for its agents to adopt the practice of stamping the cloths in process of manufacture and thus proclaiming them as

part of the Company's investment without sufficient evidence that the weavers affected were in all cases in contract to the Company. In these ways the Company may be said, somewhat loosely, to have exercised a monopoly.

It must not be forgotten that the Company's servants at the factories and aurungs were constantly receiving orders to increase the supply of piece-goods for the investment. Being paid by commission they were largely interested in this increase and the weavers who were behind-hand with their orders were in many cases harshly treated by those chiefly desirous of maintaining the volume of production. Aware of the various evils to which the method of obtaining the piece-goods had led, the Directors wrote to Bengal on the 10th April, 1773, ordering that the system of preference in purchase should be given up and directing that the articles should be bought at an equal and public market from the native merchants and this order they commanded to be published in all the principal marts of Bengal. The result of this order appears to have been that the servants of the Company indeed purchased from the native merchants, but at prices of from twenty-five to forty per cent. higher in the case of silk and cotton cloths and at an advance of eighty per cent. in price in the case of raw silk. Not only were the prices raised, but the quality was lowered. The servants of the Company explained the rise of price as due to the fact that previously the prices paid had been arbitrary and no more than what was judged sufficient for the maintenance of the manufacturers. But there seems good reason to suppose that the rise in price partly arose from collusive action between the native merchants and the Company's servants.

On the 3rd of March, 1775, the Directors wrote stating that they did not believe that the rise of prices was due solely to the competition for the goods making

up the investment. Finding that their efforts to establish freedom of trade had resulted in such a rise of price as would soon have left them bankrupt as a result of the sale of the investment, the Directors decided to return to a system of restriction.

In the same letter they therefore declared that, unwilling as they were to abridge that freedom of commerce which had been so lately established in Bengal, at the same time "finding it our indispensable duty to strike at the root of an evil which has been so severely felt by the Company and which can no longer be supported, we hereby direct that all persons whatever in the Company's service or under our protection be absolutely prohibited by public advertisement from trading in any of those articles which compose our investment, directly or indirectly, except on account of and for the East India Company until their investment is completed." This order was interpreted as excluding all natives as well as servants of the Company from the trade until the investment was supplied. The Directors had not intended that the native traders should be excluded from dealing in the commodities making up the investment. What they aimed at was to prevent the Company's servants from entering upon collusive contracts with native merchants from which the working manufacturers gained nothing. They state in their letter that they were led to revoke their order for providing the investment by contract with Dadney merchants because they were assured that this system led to the worst kind of monopoly and to a great rise of prices. The letter empowered the servants of the Company "to suspend the execution of such part of our orders as impose restrictions on the commerce of individuals provided you are absolutely certain it may be done consistent with the due provision of an ample and well chosen investment."

There is no doubt that by these measures the Company largely restricted the freedom of trade in those article composing the investment and in particular of cotton piece-goods.

It is incorrect to suppose, however, that a complete monopoly over this trade was established. The investment in piece-goods only involved the purchase of certain varieties and qualities of cloth, generally of the finer sort. In the other branches of cotton manufacture the trade was not interfered with. Even in respect of those goods required for the investment it appears that competition was not wholly excluded. Thus in a letter from the Board of Trade in Bengal of November 28th, 1778, it is said "the Dacca investment requires that the advances should be made early in the season in order to prevent any of the foreign Companies and private merchants from interfering in the purchase of the fine assortments."

From the correspondence between the chief of the Company's factory at Dacca and the Board of Trade in Calcutta at this time it appears that in the opinion of the chief "the good provision of the Company's manufactures did not require any other preference than that which naturally arose or might at all times arise from the priority and certainty of payment." (Sixth Report of 1782, p. 20.) From this correspondence it is also clear that as a matter of fact private merchants were conducting a large trade in cotton cloths in the Dacca districts.

The event which seems to have affected the state of cotton manufacture in Bengal at this time in special degree was the rise in the price of the manufactured article. This rise was partly due to the great extension in the demand of the Company for its investment and partly, after 1770, to the decline in the number of weavers resulting from the great famine of that year.

Francis in his minute of 1776 attributes the rise to the recent heavy revenue collections imposed by the Company. "It is notorious" he says "that manufactures and all other articles are much dearer now than when the country abounded in specie. In the ordinary course of things the reverse ought to be true; in Bengal it is not true because the heavy exactions of Government compelled the farmers to raise the price of their produce and the manufacture of their labour." Whatever may have been the proportion in which the different factors contributed to the rise of price the effect was undoubtedly to hasten the transference of certain branches of cotton manufacture, hitherto confined to Bengal, to other provinces. Thus Francis in his minute says "Romals and Bandannas are now largely manufactured in great perfection at Surat. Mookta and Mugga saries are now manufactured on the other side of India as cheap and as good as those formerly exported from Bengal. Mulmuls, Hummuns, Bafties and other white goods are now manufactured at Broach and in many parts of the Guzerat kingdom superior in quality to what are now produced in Bengal. In general the piece-goods trade of Bengal has been ruined by the badness of the manufacture and extravagant price; and it is very probable that in white goods the other side of India may make great strides as cotton comes into the hands of their manufacturers a hundred per cent. cheaper than in Bengal."

We may now turn to consider briefly certain measures adopted by the Company for extending its supply of raw silk. These also are sometimes represented as causing the destruction of Indian manufacture.

About 1769 the Company first took important steps to increase the production and improve the quality of raw silk by introducing its own reeling factories under the charge of the commercial residents and it became

necessary to induce the native silk-reelers to fall in with the new methods of production. The Company, therefore, discontinued the practice of making advances to the reelers for work carried out in their own homes by the old methods and ordered that the work in future should be carried on in the factories. This action has been described as tyrannous relative to the native workers and as inspired by the motive of destroying native manufacture. This was not the case. It is true that the native silk reelers disliked working in the factories and probably for two reasons. On the one hand they were thus subjected to supervision and regular hours; on the other band the raw material from which woven silk piece-goods might have been made was retained entirely by the Company. This last fact is in part the explanation of the charge that the Company was deliberately aiming at the destruction of native manufactures. But such a charge is wholly unjust. The export of the reeled silk was likely to be a profitable trade provided that the quality of the article could be improved. To achieve this the Company had at considerable expense set up its reeling factories and introduced the better method of reeling. The workmen were not compelled to go into the factories. On the contrary, in the letter of the Directors of the 17th March, 1769, they state that while they wished to extend the trade in raw silk they would not have any compulsory methods taken to increase the number of silk-winders. They recommend that wages should be so increased to the silk-winders working in the Company's filatures as would suffice to induce the manufacturers of wrought silk to quit their branch of trade and to take to the winding of raw silk. Again, they recommend that in the purchase of cocoons such an increased price as was necessary should be given so as to take that trade out of the hands of other merchants and rival nations.

Referring to the order that the winders should work in the factories of the Company and not in their own homes, the Directors said that "should this practice through inattention have been suffered to take place again it would be proper to put a stop to it, which may now be more effectually done by an absolute prohibition under severe penalties by the authorities of the Government." This order of course referred only to those silk-winders engaged by the Company, not to a prohibition of silk-winding outside the Company's filatures.

Burke, in the ninth report of 1783, writing in a partisan spirit, exaggerates and distorts the nature of the Directors' action. He says, "this letter (*i.e.*, the letter of 1769) contains a perfect plan of policy both of compulsion and encouragement which must in a very considerable degree operate destructively to the manufactures of Bengal. Its effect must be to change the whole face of that industrious country in order to render it a field for the produce of crude materials subservient to the manufactures of Great Britain." A policy applied to the manufacture of reeled silk alone is thus described as destructive of manufactures generally.

The account of this matter given by Dutt ("India under Early British Rule," p. 45) is so inaccurate as to demand special attention. He says "British weavers had begun to be jealous of the Bengal weavers, whose silk fabrics were imported into England, and a deliberate endeavour was made to use the political power obtained by the Company to discourage the manufactures of Bengal in order to promote the manufactures of England."

"In their general letter to Bengal, dated the 17th March, 1769, the Company desired that the manufacture of raw silk should be encouraged in Bengal and that all manufactured silk fabrics should be discouraged. And they also recommended that the silk-winders should be

forced to work in the Company's factories and prohibited from working in their own homes."

Two serious blunders are committed in this passage. If Dutt had remembered that Indian silk manufactures were prohibited by law from being worn in England between 1701 and 1825 he could not have supposed that there was any jealousy present in the minds of the British weavers in 1769 regarding the Bengal weavers. He has been misled by a hasty reading of a passage in the ninth report of 1783 which speaks of "the *old* jealousy which prevailed between the Company and the manufacturing interest of England." This passage refers to the events which led to the exclusion of Indian silk manufactures from consumption in England in 1701 and not, as Dutt seems to have supposed, to any jealousy on the part of English weavers which inspired the Directors of the Company with a wish to destroy Indian silk manufactures in 1769. As has already been explained, the object of the Directors was to facilitate their investment by increasing the consumption of Bengal silk at the expense of Italian silk and the chief obstacle in their way lay in the superior quality of the Italian article. To remedy this they set up their reeling factories.

The second blunder made by Dutt is in supposing that the purpose which led the Company to compel the winders to work in the factories was to prevent them from engaging in silk manufacture. This was not the case. The sole concern of the Company was to obtain a sufficient supply of winders for their filatures and in order to do so they advocated that silk-weavers should be offered higher wages to attract them into the factories. There was no decline at this time in the import by the Company of Indian woven silks for the purpose of re-export which was the only interest in such manufacture which the Company possessed.

Dutt nevertheless gives this as a leading instance of the policy of crushing Indian manufactures which, he affirms, became the settled policy of England towards India for fifty years and more and "effectually stamped out many of the national industries of India for the benefit of English manufactures." (*Op. cit.*, p. 46.) This statement is wholly untrue. No national industry in India was stamped out at all during this time and with regard to the chief handicraft of Bengal, *viz.*, cotton manufacture, it was, as we have seen, the desire of the Company to stimulate the production. The Company indeed continued to import Indian cottons into England long after it had ceased to be a profitable commercial transaction.

CHAPTER VII.

English Commercial Policy and Indian Manufactures. 1765–1858.

In a previous chapter the relation between English commercial policy and Indian trade down to the year 1765 has been described. It is necessary now to trace the principal events connected with that policy during the subsequent period from 1765 to 1858 in so far as they relate to the trade with India.

These years include the period of English economic history commonly referred to as the Industrial Revolution. The outstanding feature of this time is the outburst of invention and enterprise which in a short term of years revolutionised the character of English industries, enabling the country to occupy the position of the first manufacturing country of the world.

In no case was the progress more rapid than in that of the English cotton industry. Hitherto, India had supplied the foreign markets of the world with large quantities of cotton goods, but by the end of the first quarter of the 19th century these markets had been almost wholly captured by the Lancashire manufacturers and English cottons were already finding their way in considerable quantities into the bazars of India.

It is often alleged that this success was primarily the result of English commercial policy which. by first crushing the cotton manufacture of India, made it possible for the English producers to establish their industry. In examining the course of the trade relations between England and India during the period with which we are concerned in this chapter the principal question of interest is the determination of the truth of this theory.

We may first briefly review the main points of England's commercial legislation in so far as it affected the trade with the East at this time. English commercial policy during the latter part of the 18th century continued to be marked by the general protectionist ideas that had prevailed since the Restoration. Not only did the import duties continue to increase, but all sorts of interferences with the free course of trade were perpetrated by Parliament with the object of protecting home industries. Two comparatively new elements in the fiscal machinery also made their appearance. The first was an increasing reliance upon the policy of export bounties as a means to stimulate foreign trade; the other was the development of the excise duties. As before, special care was given to foster the woollen and silk manufactures.

The prohibition upon the export of raw wool imposed in 1660 was continued until 1825. In 1766 (6 George III, Cap. 28) a general prohibition was laid upon importation into Great Britain of all foreign-wrought silk and velvets, and it was forbidden to any one to expose such goods for sale. It may be noticed that the Act expressly excludes the wearer of such silks or velvets from liability. The Act was of no great importance to the Indian trade as it only made general a prohibition which, so far as India was concerned, had been put into operation in the beginning of the century. French silk manufactures had, as we have seen, been similarly prohibited. While thus securing the home market for silk manufactures to the English workmen, an Act of the previous year (5 George III, Cap. 29) had lowered, in their interests, the import duty upon raw silk by repealing all former duties and imposing in their place a duty of 1*s.* 3*d.* per lb. of 24 oz. upon raw silk and 6*d.* per lb. of 15 oz. upon thrown silk.

In the early part of George the Third's reign several additions were made to the customs tariff which affected Indian goods. A duty of 5 per cent. was levied in 1765 upon the wrought silks and printed calicos, the produce of Persia, China, and East India, goods which might only be imported for purpose of re-export. The duty was not charged, however, upon exports to Africa or the British dominions in America.

In 1779 an additional 5 per cent. import duty upon all previous duties was imposed (19 George III, Cap. 25), and in 1782 a further 5 per cent. was again added. (22 George III, Cap. 66.)

At this time Parliament turned its attention to the encouragement of other branches of the English textile trade besides those of wool and silk. In 1779 a bounty was granted on the export of linens while raw linen yarn was to be imported free. (19 George III, Cap. 27.) In 1781 the bounty granted upon the export of English and Irish linens was extended to British calicos and cottons when printed, stained, or dyed in Great Britain. (21 George III, Cap. 40.) The bounty consisted of ½*d.* per yard for calicos of the value of 5*d.* per yard and under, 1*d.* per yard when of the value of 6*d.*, and 1½*d.* when of the value of 6*d.* to 1*s.* 6*d.* per yard.

Parliament also sought to protect the native textile industries by preventing the export of machinery, or the sending abroad of skilled workmen who might promote rival industries in other countries. In 1781 an Act was passed for enforcing the Statute already in existence which prohibited the export of machines, tools, etc., employed in preparing, working up, or finishing cotton or linen, woollen or silk industries of the kingdom. (21 George III, Cap. 37.) In the following year a heavy penalty was imposed upon those enticing or contracting with artificers and workmen employed in printing

calicos, cottons, muslins and linen, or in making and preparing blocks and plates for printing to go to parts beyond the seas. (22 George III, Cap. 60.) Similar prohibitions were placed in 1785 upon the export of tools or the sending out of workmen employed in iron and steel manufactures.

In 1783 an Act of considerable importance as affecting the Indian cotton trade was passed. (All mention of this Act is curiously omitted in the Parliamentary Report upon customs tariffs published in 1897.) The legislature seems to have been impressed by the rapid growth of smuggling brought about by the high tariff. It therefore repealed all previous duties upon plain muslins, unrated muslins and calicos, and nankeen cloths. Instead, a single import duty of 18 per cent. *ad valorem* was levied, subject to a drawback of 10 per cent. upon re-export. (23 George III, Cap. 74.) This Act did not affect the duty upon rated calicos. These however were fixed in 1787 at 5*s.* $2\frac{7}{10}$*d.* for every piece of 10-1 yards together with an *ad valorem* duty of £16 10*s.* per cent. These two together were broadly equivalent to a duty of 40 per cent. The duties were subject to a drawback of five shillings per piece and £14 10*s.* per cent. upon re-export. Thus the considerable reduction of the import duty upon muslins which had been made in 1783 was not extended to plain calicos, the distinction probably being made in the interests of the English cotton industry, which was then beginning to develop. Whatever advantage was thus gained however was considerably discounted by the system of excise duties which were at this time levied upon British cotton manufactures.

In 1784 an excise duty was laid upon cotton stuffs woven in Great Britain and either bleached or dyed in Great Britain amounting to 1*d.* per yard upon goods below the value of 3*s.* per yard and 2*d.* per yard upon

goods to the value of 3*s*. and over. (24 George III, Cap. 40.)

In the following year the previous excise duties on English cotton goods were repealed and their place taken by a new schedule of duties which charged 2*d*. per yard upon cottons and muslins of the value of 1*s*. 8*d*. to 3*s*. per yard and 4*d*. per yard upon goods over 3*s*. per yard in value. These excise duties were accompanied by extremely onerous and vexatious rules regarding the sale of such goods. So far the English legislature can hardly be said to have shown any marked favour to the nascent cotton industry of the country. The excise duties upon English cottons were not finally repealed until 1831.

The English customs tariff had by this time become so intricate and complicated by reason of a long succession of separate imposts that had been piled one upon the other that the Committee of Public Accounts drew the attention of the legislature in 1785 to the urgent necessity for consolidating these various separate duties into a single whole. In 1787 therefore Pitt carried through Parliament the Consolidation Act. (27 George III, Cap. 13.) By this change each article became subject to a single rate of tax and the proceeds were paid into a single account called the Consolidated Fund.

The political necessity of the country however soon compelled Parliament to make further heavy additions to the indirect taxes. In 1793 the Napoleonic Wars began and from then until 1815 there continued a period of increasing duties, imposed not for the purpose of protecting native industries, but as a means to obtain the funds urgently needed for the prosecution of the war with France.

The duties affected practically every form of import and imposed a very heavy burden upon English consumers.

The period of very high duties lasted from 1797 until 1824. In the appendix will be found the details of the import tariff during this period in so far as it affected Indian textiles. It will suffice to give here the chief facts of the tariff relating to Indian imports.

In 1797 an addition of 10 per cent. was made to the consolidated duties of 1787 and in 1798 a small special levy was charged upon all imports to defray the cost of protecting the merchant vessels at sea, known as the convoy duty. This was merged in the general duty in 1802.

In 1799 an Act known as the Warehousing Act was passed to relieve the East India Company from the inconvenience of having a large capital locked up as a consequence of having to pay heavy duties upon its imports at the time of landing which were only recovered when the goods were sold at the half-yearly sales. Henceforward the goods on landing were only charged a small warehouse duty while the main duty was collected from the purchaser at the Company's sales. From 1799 to 1824 the total duties levied on Indian textiles were briefly as follows.

Upon plain muslins and muslins and calicos flowered or stitched the duty rose from 18 per cent. before 1797 to a little over 30 per cent. *ad valorem* in 1800 and to 37½ per cent. *ad valorem* in 1823. Upon plain white calicos and dimities the duty rose from about 40 per cent. before 1797 to the equivalent of about 60 per cent. in 1800 and to 67½ per cent. in 1823. Upon raw silk from India the duty, although varied in form, remained throughout the period at the equivalent of about four shillings per pound. It should be noticed that an increasing preference was given in favour of Bengal silk over other raw silk imported which in 1823 amounted to 1*s.* 6*d.* per pound. This was not the only instance of the disposition of Parliament at this time to encourage the East Indian

trade. In 1813 (54 George III. Cap. 36) the same bounty was granted upon the export of sugar from the East Indian Company's territory, when refined in Great Britain, as was already paid upon the sugar produced in the British plantations in the West Indies. This Act also removed the disability under which Ireland formerly lay by permitting East Indian goods to be imported directly into that country instead of being first landed in England.

In 1803 silk handkerchiefs imported by the East India Company were specially excepted from the law prohibiting the use in Great Britain of imported silk manufactures. This exception, however, only lasted until 1815. It was upon certain drugs and spices that the rates of duty were highest. By the Act of 1813 a large number of different classes of goods were enumerated and duties at specific rates were assigned to each. When unenumerated these goods paid a total *ad valorem* duty of 62 per cent. This was the general basis of the tariff, but it appears that in the case of certain little used and comparatively unimportant drugs and spices specific rates of duty were fixed without correctly ascertaining the market value of the commodities taxed. The result was a very great divergence between the equivalent resulting *ad valorem* rates. This has been made the ground of complaint by various writers against the "unjust and enormous duties" levied upon certain Indian commodities. Montgomery Martin (*cf.* "Anglo Eastern Empire") and Dutt, who frequently follows Martin, are eloquent on this theme. As a matter of fact most of the commodities mentioned by Martin as the subject of the highest duties were not Indian products at all and in any case were commodities of little commercial importance, such as oil of mace, Bengal rum, and asafœtida.

In 1824 the era of the high cotton duties came to an end and England took the first important step towards free trade by reducing and simplifying her tariff.

From 1825 to 1842 all imported cotton manufactures, when not made up, paid at an uniform rate of 10 per cent. with a small additional duty if printed. In 1824 the duty upon raw silk was reduced to 3*s*. per lb. In 1826 the prohibition upon the wear of silk goods came to an end, and in 1829 a large measure of preference was introduced in favour of silk manufactures produced and imported from the British possessions within the limits of the East India Company's Charter. These paid an *ad valorem* duty of 20 per cent. while all other silk manufactures paid 30 per cent. with the exception of plain silk or satin which paid 25 per cent.

In the case of sugar the produce of British India had, until 1836, been taxed at a somewhat higher rate than the produce of the British West Indies. In that year however the two were put upon the same footing and the quantity of Indian sugar imported, which had hitherto been trifling, began to increase rapidly. In 1842 cotton manufactures from British possessions became subject to an all-round duty of 5 per cent., while those from foreign countries paid 10 per cent. In 1846 all duties upon the import of cotton goods were repealed, except in the case of goods wholly or partly made up, which paid 10 per cent. when from foreign countries and 5 per cent. when coming from British possessions. The very considerable preference extended to the import of silk manufactures from the British East Indies continued until the duties of all kinds upon silk goods were repealed in 1860.

Having stated the main provisions of the English tariff during the period under review so far as they affected the Indian trade, we may turn to examine their effect upon Indian manufactures.

It is perhaps worth while briefly to touch upon a point that is vaguely connected with this question.

Those who are chiefly concerned to criticise the conduct of the English in India and to represent the effects of English rule as leading to the impoverishment of the country have not only traced the decline of Indian handicrafts and especially the cotton industry to the unfair competition which was waged between the heavily protected Manchester manufacturers and the hand weavers and spinners of India, but have ascribed the very beginning of the new industrial developments which took place at such a remarkable rate in England in the latter part of the 17th century to the inflow of new capital, which they represent as pouring into the country from India in the shape of the "plunder after Plassey." In this way India is made to appear as doubly aggrieved.

An examination of the facts however must clearly convince any unprejudiced mind that the outburst of inventive activity which made the Industrial Revolution possible had very little connection with the return to England with their fortunes of those who had amassed wealth in the service of the East India Company. Digby ("Prosperous British India," p. 31) quotes an American writer, Brooks Adams ("The Law of Civilization and Decay," p. 249), with approval as follows: "Very soon after Plassey the Bengal plunder began to arrive in London and the effect appears to have been instantaneous, for all authorities agree that the Industrial Revolution . . . . began with the year 1760 . . . . In 1760 the Flying Shuttle was introduced and coal began to replace wood in smelting. In 1764 Hargreaves invented the Spinning Jenny, in 1779 Crompton contrived the Mule, and in 1785 Cartwright patented the Power Loom. Chief of all, in 1768 Watt matured the Steam Engine. But, though these machines served as outlets for the

accelerating movement of the time, they did not cause that acceleration. In themselves inventions are passive, many of the most important having lain dormant for centuries, waiting for a sufficient store of orce to have accumulated to set them working. That store must always take the shape of money . . . . Possibly since the world began no investment has ever yielded the profit reaped from the Indian plunder." Thus, according to Adams and Digby, it was the Indian silver that set the new inventions working in England. This statement is so devoid of foundation in fact that it may seem scarcely worth discussion. Yet it is so often believed that it is perhaps worth while briefly to expose its falsity.

We have already seen how small was the flow of silver from India to England, even if it existed at all. There indeed was one important change in the nature of the Company's transactions after Plassey. For the space of some twenty-five years the export of bullion to the East on the Company's account practically ceased. Possibly some fifteen million pounds was retained in this way in England which would otherwise have been exported to the East, although not wholly to India.

As a matter of fact a brief reference to the economic history of the 18th century will reveal the complete lack of foundation for the view put forward by Brooks Adams which represents the Industrial Revolution as commencing suddenly with the year 1760. On the contrary, Lord Dudley had invented the process of smelting by means of coal as early as 1619, and in 1740 iron was being made by means of pit coal on a commercial basis. (McCullogh, "Dictionary of Commerce," p. 789.) Again, John Kay had invented the Flying Shuttle in 1738, and it was at once adopted by the woollen weavers of Bury. (Ure, "Cotton Manufacture," Vol. II, p. 208.)

There was at this time great popular dislike of mechanical inventions as they were thought to threaten the livelihood of the hand-workers of the country. Alluding to this, Ure describes the precautions taken by Hargreaves, the inventor of the Spinning Jenny, showing that to suppose him to have been in some way stimulated by the newly acquired wealth of the country was the very reverse of the truth." Ure says, "he was by trade a weaver, and being aware of the jealousy and ill-will likely to be directed against the author of any mechanical substitute for hand labour, he worked in secret without the aid of any capitalist, and in 1768 he found in Nottingham a joiner willing and able to assist him in erecting a small spinning mill on the Jenny plan. He obtained a patent in 1770, and the spinning factory went on tolerably well until his death."

Crompton, himself also a weaver, spent five years in working out his Mule Jenny, "possessing only such simple tools as his little savings enabled him to procure." He completed his machine in 1779 and then collected the sum of £50 from certain manufacturers interested in the new machine which enabled him to construct a new and larger model. (Ure, Vol. I, p. 278.) These instances are typical and show how entirely unfounded is the statement that the introduction into commercial use of the new inventions began suddenly in 1760 as the result of an imaginary influx into England of capital from India. As a matter of fact the great step forward in the English cotton industry was made with the adoption of the Power Loom for the purpose of weaving. Cartwright invented the Power Loom in 1785. The first weaving mill was erected in 1790, but was burnt down by incendiaries, and it was not until 1802 that the new invention began to be an established commercial success. During the 18th century the great advance in English

cotton manufacture was confined to spinning, and this took place after 1780.

The first steam spinning mill was started in 1785. By 1787 a hundred and forty-three cotton mills were at work. It was the introduction of power spinning which caused the cotton manufacture of England suddenly to leap into new importance just at the very time, it may be remarked, that the import duties upon Indian muslins were considerably reduced by the Act of 1783. Between 1764 and 1766 the export of English cotton goods averaged only £223,000, and in 1780, nearly a quarter of a century after Plassey, it amounted to only £355,000; but in 1785, the year in which the first steam mill was at work, it amounted to £855,000, and then increased by leaps and bounds. Between 1786 and 1790 the export averaged £1,200,000; between 1791 and 1795, £2,100,000; between 1795 and 1800, £4,100,000; while by 1809 the total had risen to £18,400,000. (Macgregor, "Commercial Tariffs," p. 494.) It will thus be seen that the first great advance in the English cotton industry did not begin until the last decade but one of the 18th century, and that it was then due to the series of mechanical improvements which had by that time reached the stage of being commercially adopted, making possible the rapid supersession of hand methods and the introduction of the factory system. Of particular importance was the expiry of Arkwright's patent in 1785 which enabled his machine to come into general use. Numerous other inventions and discoveries all helped at this time to increase the efficiency of the English cotton manufacturer. In 1785 cylindrical revolving presses were patented and henceforth employed for printing cotton goods, which in India was performed slowly and painfully with small stamps like butter-pats. The advantage which India had long enjoyed in

the matter of colouring was largely removed by the discovery of Chlorine applied in the new methods of bleaching and in 1786 Watt opened his bleach works at Glasgow, which have ever since continued to turn out the most famous bleaching powder in the world.

By the last decade of the 18th century the English cotton manufacturer had established himself in the home market although it was not until the development of power weaving in the following decade that he began to command the foreign markets also. In the House of Commons, in the report of 1793, it is said "that every shop offers British muslins equal in appearance and of even more elegant patterns than Indian at one-fourth less in price."

The era of the very high duties had not yet begun. They were indeed lower than they had been ten years previously. It is impossible therefore to argue that the success of the British manufacturer in the home market was the result of the increased protection afforded by the high war duties which were later imposed in order to maintain the prolonged struggle with France.

The actual course of trade between England and India may now be briefly examined in order to ascertain the nature of the changes taking place in the commerce between the two countries during this period. Two points connected with the statistics of Indian trade should be borne in mind. Up to the year 1799 the customs duties charged upon goods imported and brought to the Company's sales were paid prior to the sale. The sale values thus included the import duties. After the passage of the Warehouse Act, however, the Company only paid the small warehouse duty prior to the sale, the balance of duty being paid after the sale by the purchaser. Thus the sale values from 1799 exclude the greater part of the import duty.

A second point for consideration is raised by the question whether or no the bills of exchange paid by the Company in London should be included in the total of its exports to India. In the second report of the Secret Committee of 1773 (p. 27) giving the Company's exports to India for certain years, the amount of bills drawn on the Company in London are included in the total. In referring to the Company's export trade to India however it is customary to omit all reference to bills of exchange, and certain critics have argued that the volume of exports is thus under-estimated. Whether the item under the head of bills of exchange should be included or not really depends upon the purpose in hand.

If a servant of the Company in India or a free merchant wished upon retiring to realise his Indian fortune and send the proceeds to England and therefore sold his property in India, purchasing a bill of exchange from the Company in Calcutta on the Company in London, the effect so far as the Company is concerned would be the same as if it had exported bullion to that amount to India. It is *equivalent* to an export; a transfer of its resources to India. But from the point of view of the country as a whole the case is different. All that has necessarily happened is a transference of property from A to B in India and from B to A in London. No export or import has taken place. The Company in Calcutta *may* use the funds obtained from the private trader to purchase piece-goods and send them to London. And there the transaction may end. India will then have exported a certain value, getting no import in return. She will however have paid off a certain liability to a foreign country, which might be represented by saying that she has repaid the value received in the shape of the private traders' services. Between 1700 and 1835 the Company is said to have paid eighty million pounds in respect of

such bills. This sum probably represented in the main the value of private fortunes made in India, the proceeds of which were transferred to the Company in India and repaid in London. So long as the Company obtained in this way purchasing power in India, with which it could either pay its troops or purchase its investments, the transaction was a convenient one and saved the trouble and expense of sending bullion from London, always supposing that the sale of the investments in London provided the means for the discharge of the bills. But when the investments ceased to be adequate for this purpose and when metallic money began to be scarce in India it was more important to export bullion and thus it was no longer convenient to the Company to discount large quantities of bills. It was then proposed that private persons should be encouraged to bring home their fortunes in commodities.

In the analysis of trade the distinction between visible and invisible exports or imports is important, and it is therefore a mistake to include the bills paid for the Company as exports to India without qualification.

Turning now to consider the course of trade, it will be seen from the statistics given in the Appendix that the total value of the exports from England to India, including both the bullion and the merchandise, was actually less on the average during the period 1761 to 1790 than had been the case from 1708 to 1760. The principal reason for this decline was the great reduction in the export of bullion for the twenty years following the battle of Plassey.

The exports of merchandise increased from an annual average of rather over £100,000 in the earlier years of the century to an annual average of about £350,000 between 1765 and 1793. During this latter thirty years, however, the exports of merchandise to India

remained wholly unprogressive. It is from the year 1793 that the upward movement of exports begins sharply. The average for the decade 1791 to 1800 was £664,000 per annum; for the decade 1801 to 1810 the exports averaged £817,000, while by the year 1819 they had increased to over three million pounds.

Turning to the import of the East India Company's goods, we find that the sales, exclusive of tea, remained remarkably steady, although with a slightly increasing tendency, from the beginning of the 18th century down to 1766, during which period the annual sales averaged under a million and a half pounds sterling.

From the year 1766 there was a marked advance, and from then until 1790 the sales averaged two millions and a half, while between 1790 and 1810 they averaged nearly five millions per annum. The increase, both of imports and exports after 1793, reflects the rapidly growing volume of trade carried on by the private merchants. From a statement of these broad tendencies, we may turn to consider the movement of some of the more important branches of trade separately, and in particular the textile trade.

From a reference to Table II in the Appendix, it will be seen that the quantity of cotton piece-goods imported into England from India had remained fairly stable for some years down to 1778, in which latter year 1,162,477 pieces were disposed of at the Company's sales. In 1779 there was a great and sudden fall, the number of pieces sold being only 444,666, and for the ensuing five years the quantity of piece-goods imported rose but little above this level. Between 1785 and 1793 there was a considerable recovery and the quantity imported regained the level of the years before 1779. After 1793 the private traders began to take a large share of the import trade in piece-goods, as a result

of which the total imports into England were greater than at any previous time and this larger volume of trade was sustained until 1805. In that year there was a sudden and remarkable drop in the quantity of both calicos and muslins brought into the country, only 663,854 pieces of the former and 33,945 pieces of the latter coming in. The trade in both calicos and muslins continued at this reduced level down to the year 1818 when there was once more a sudden and heavy decline in the quantity imported, after which date the trade may be said to have become negligible. Thus the fluctuations that we have to explain are the sudden drop beginning in 1779, the recovery between 1785 and 1793, the short-lived expansion between 1793 and 1805, the shrinkage from that year until the end of the war, and finally the practical extinction of the trade after 1818.

It is at once apparent that the original decline was in no way due to any Act of the English legislature. The tariff had remained unchanged for some years and the small additions to the import duty of 1779 and 1782 cannot have materially affected the course of trade. Between 1783 and 1797 the tariff remained unchanged so far as Indian cotton goods were concerned, although as we have seen the excise duties for a time constituted a considerable burden upon the English producer. It is thus evident that at least until 1797 we must look elsewhere than to the tariff for an explanation for the fluctuations of the cotton trade. The true solution is to be found partly by reference to the financial exigencies of the East India Company, but mainly by having regard to the course of events in the history of the English cotton industry.

Hargreaves started his factory in 1770, fitted with his Spinning Jenny. Arkwright in 1773 was working his

patent successfully, and turning out considerable quantities of calicos at Derby. The manufacture of calicos was begun in Lancashire about the same time. Thus the production of English cottons must have begun to affect the market just when we find the decline in the import of Indian goods begins, although, as has been previously remarked, the great advance in English production did not begin until 1785. Some idea of the increase of the industry is afforded by the statistics showing the rate of increase in the import of raw cotton during the 18th century. The figures are given in the appendix. (*See* Table VI, Appendix.)

In 1787 it was computed that not less than 500,000 pieces of muslin were annually made in Great Britain. (Milburn, "Oriental Commerce," Vol. II, p. 232.) So great was the activity of the cotton manufacturers of England at this time that the market was over-supplied and producers were subjected to a sharp crisis. How then is the revival of the import of Indian cotton goods between 1785 and 1793 to be explained? The answer is two-fold. In the first place the goods imported from India were either of the finer qualities which could not as yet be profitably produced in England, or they consisted of goods for re-export to the Continent. The East India Company itself stated in 1787 that $\frac{17}{20}$ of the calicos which they brought into England, and $\frac{3}{5}$ of the muslins were sold for exportation.

The revival of the imports, however, was partly due to the efforts of the Company itself to crush the rising competition of the English producer and their endeavours compelled them to trade in these commodities for a number of years at a loss. How unprofitable this trade was to the East India Company at that time is suggested by a passage of the report on the external commerce of Bengal for the year 1798 to 1799, in which the writer,

Mr. Brown, states that "the average loss attendant upon the trade in piece-goods for the port in London during the previous ten years had probably exceeded 15 per cent."

In 1793 the private merchant began to take part in the import of Indian cottons and endeavoured to meet the competition of the English producer by importing cheaper goods and selling them at a lower price. The result was only to diminish the profits of the importers, not to displace the English producer.

The passage of the Warehouse Act in 1799 for a time gave an impetus to the re-export trade in cotton goods from London and so helped to swell the volume of imports.

A careful comparison of the figures shows that from the year 1799 practically the whole of the calicos imported into England from India were re-exported, proving how completely they had lost their place in the English market. In the report upon the external commerce of Bengal relating to the trade of 1799 it is remarked that the Warehousing Act had totally annihilated the trade formerly carried on by British subjects in Calcutta to Hamburg, Copenhagen, and Lisbon. The Berlin decrees suddenly interfered with this re-export trade and account for the great drop in the quantity of calicos and muslins brought into England from that year to the end of the War. But before that time the English cotton manufacture was firmly established. The improvements in spinning had been followed by equal improvements in weaving and the power looms were working throughout the cotton-manufacturing districts. Already England had begun to export large quantities of cotton goods. (*Cf.* Table VII in the Appendix.)

The report of the external commerce of Bengal for 1804–5 shows that the future of the Indian export trade in cotton goods was clearly foreseen. Referring to the

effect of the Berlin decrees, the report remarks that "although by a renewal of our commercial intercourse with the markets on the Continent, we should find a mart for a considerable quantity of piece-goods now unsold in London, still we should not be so sanguine as to expect that the demand for the piece-goods of India can ever be so great as formerly, since numerous and extensive manufactories have been recently established in the interior of France as well as in England. The weavers have there succeeded in imitating with so much exactness the fabrics of Bengal, particularly our coarse and middling assortments of muslins, that there is every reason to believe our trade in muslins of this description whether for the home or foreign markets must inevitably dwindle to nothing."

What then was the effect of the period of the high import duties upon cotton goods between 1797 and 1824? If, as we have seen was the case, by far the greater part of the imports from India into England were already re-exported in 1787 owing to the successful competition of the British cotton manufacturer in the home market, even before the full establishment of the power loom, all that the additional import duties can have effected was to have slightly hastened the day when both the East India Company and the private merchants recognized that the import of Indian cottons could not be profitably continued. No impartial student can find in the tariff a sufficient explanation either for the successful development of the English cotton industry, or for the loss of the English market to the cotton weavers of India. Even if the tariff afforded some assistance to the English producers in establishing a footing in the home market, it could not have explained their successful entry into the markets abroad which occurred just during the years following upon the imposition of the War tariff in 1797.

The chief controversy regarding the effect of English commercial policy upon Indian manufactures relates to the cotton industry. But the general charge has been brought that it was the policy of England at this time to force India to give up her manufactures and turn to the production of raw materials. The fact has been emphasised more than once in the course of the preceding chapters that the only manufactures of any importance in foreign trade in India were of cotton and silk goods. Having discussed the causes for the decline of the export trade in cotton goods, we may now briefly refer to the effect of English trade policy upon the Indian silk industry during the period of the Industrial Revolution.

It is important to bear in mind that the export of silk from India always consisted to a very much larger extent in the export of raw silk and only to a comparatively small extent in the export of woven silk goods. The so-called raw silk is more properly speaking a semi-manufactured article. It seems, however, to be commonly believed that there once existed a large export trade in manufactured silk, in the sense of woven silk goods, from India to Europe and the Indian silk manufactures are represented as suffering, like the Indian cotton manufactures, from the British trade policy. This is almost entirely a delusion. Although there has always existed in India a certain manufacture of heavy brocade silks consumed by the wealthy and a more considerable production of lighter silk cloths which custom requires to be worn in certain sections of society on certain occasions, the export of such goods never attained any considerable volume. Even in Mughal days silk goods of the more expensive kinds were imported into India from France and Italy.

According to the tariff policy of England in the 16th century restrictions were placed upon the home

consumption of silk wearing apparel in the interests of the native woollen industry. Thus in 1554 a law was enacted by Queen Mary that whoever should "wear silk in hat, girdle, bonnet or hose should be imprisoned for three months and pay £10 fine unless they were corporation magistrates or of higher rank. A little later, however, England became the asylum for a number of Protestant silk weavers from France who succeeded in establishing a new branch of the silk industry in England. This became an object of considerable State encouragement.

Towards the end of the 17th century the revocation of the edict of Nantes again caused a large influx of French silk weavers, as many as fifty thousand being said to have emigrated at this time. From this period the English silk manufacture began to flourish on a considerable scale.

We have seen how in order to protect this industry the consumption of Indian silks was prohibited early in the 18th century, a prohibition which lasted down to the year 1825. At the time when this prohibition was first imposed the import trade of the East India Company into England was too insignificant to have any important bearing upon the manufactures of India and as the prohibition remained in force until the close of the period of the high tariff it is clear that this tariff can have had no effect in destroying this branch of Indian manufacture. During the 18th century the East India Company indeed continued to import a moderate but increasing quantity of Indian silk goods for purposes of re-export.

During the period which is described as witnessing the great decline of Indian manufactures the only form in which silk was imported into England, except for re-export, was as raw silk.

In 1750 the East India Company was only one and not the chief importer. In that year silk was imported as follows:—

		lb.
From Flanders	... ...	1,407
,, Spain and Portugal	...	2,564
,, Straits	... ...	14,897
,, Italy	... ...	36,301
,, India and China	...	43.876
,, Turkey	... ...	132,894

(Milburn, "Oriental Commerce," Vol. II, p. 251.)

The supply of the raw material was at that time not sufficient for the demand of the English throwsters and in consequence of a petition Parliament reduced the import duties in 1765. Between 1750 and 1765 the import of Bengal silk rose to lb. 80,340. When the Company acceded to the Diwani they became anxious to stimulate the export of Indian commodities to England as a means for the remission of part of the revenues. Silk appeared to be the article most capable of an expanded consumption and by the efforts of the Company the import rose to an average of lb. 327,630 per annum between 1767 and 1771.

The Bengal silk, reeled by the crude methods of the Indian peasants, was only found suitable however for the manufacture of a few articles and the Company thereupon decided to introduce into India the mode of reeling practised in the filatures of Italy. It was hoped by this means to render England independent of other sources of supply. The Company therefore began to set up the necessary buildings, furnaces, reels, etc., required for the improved process and to instruct the natives in the new method from which for some time they were greatly averse. In 1769 no fewer than twelve Italian and French skilled growers of mulberry and spinners of silk were

brought into Bengal. In 1770 James Wiss of Piedmont arrived in India and devoted himself to the task of improving the silk industry of India with the hope of enabling it to compete with that of China and Italy. The efforts of the Company were in one sense successful as they advanced the import into England to an average of lb. 560,283 per annum for the years 1776–1785. As a business undertaking it was highly unprofitable as the Company during these same years lost £884,744 on their silk imports.

In its anxiety to push the Bengal silk industry the Company often imported larger quantities than they could dispose of. This led to renewed efforts to increase the demand for Bengal silk and it was suggested that the surplus raw silk should be thrown into Organzine in England and used as a substitute for the Organzine hitherto largely imported from Italy. The efforts of the Company were again rewarded by a considerable measure of success and the English silk manufacturers in 1795 expressed their approval of the Company's policy. The result was that the Bengal article was used for the manufacture of a much wider range of goods than formerly.

It is clear that during this time the Company made repeated efforts to stimulate the consumption of Indian silk and Parliament itself favoured India by the grant of a tariff preference of over 20 per cent. during the first quarter of the 19th century.

It is true that during the war period the import duty even upon Bengal silk was heavy, but by reference to Table VIII in the Appendix it will be seen nevertheless that during the high tariff period the consumption of Bengal silk expanded very considerably. The quantity of Bengal silk imported into England between the years 1813 and 1825 averaged about nine hundred thousand pounds.

Towards the end of this period the profit upon this trade was declining and private merchants were withdrawing from it, but the Company continued to import Bengal silk for some few years longer. The reason for the decline, which cannot in any way be attributed to the action of the tariff, may be found in a combination of circumstances. In the most flourishing period the manufacture of raw silk in India was under the definite control of the Company and when that was withdrawn it seems to have suffered considerably in the character of its organisation. Left to themselves the Indian producers failed to make an article which could compete successfully with the products of China and Japan in quality, while by neglecting to adopt the improved methods of production they suffered a serious disadvantage in respect of cost.

With regard to the subject of Indian silk piece-goods, the removal of the prohibition upon home consumption at once affected the Indian export trade in these goods. Between 1821 and 1825 the export to England of Indian silk piece-goods averaged nearly 110,000 pieces per annum. Between 1826 and 1839 the average was nearly 400,000 pieces per annum.

In 1842 the duty upon silk manufactures, imported from British possessions, was reduced to 5 per cent. while the duty upon similar articles, imported from foreign countries, continued to be 20 per cent. This rate of preference continued until 1846 when the duties were revised and the duty upon foreign silk manufactuers was reduced to 15 per cent., the duty upon imports from British possessions remaining at 5 per cent. as before. The duties continued at these rates until 1860 when silk goods were imported free. Stimulated by the large preference, Indian silk piece-goods were imported into England in rapidly increasing quantities, thus while in 1840 the

number of pieces imported was 555,000, in 1848 it had risen to 999,000.

Having shown that the growth of the English cotton trade was not due to any special encouragements extended to it by the English tariff and, further, that the decline in the export trade of Indian cottons for English consumption occurred prior to the imposition of the war duties, it has also been established that no *new* impediment was placed upon the trade in Indian silks during the period which is said to have witnessed the destruction of Indian manufactures. It is clear that the "destruction" was not the result of the tariff policy of England.

CHAPTER VIII.

The Growth of Economic Freedom in India, 1793–1858.

Down to the end of the 18th century the foreign trade of India had been for some time almost entirely in the hands of the various European Trading Companies possessing settlements or factories in the country. Each Company enjoyed a monopoly of the trade with its own home market and sought to maintain as far as possible its own sphere of influence in the districts from which its supplies of Indian produce were purchased.

The system had been well suited, on the whole, to the conditions of the times. The possession of a monopoly of the home market was probably the necessary condition for the maintenance by the Companies of their permanent trading stations abroad. As a result the commerce of India had benefited by the presence of a body of merchants who had introduced a large amount of foreign capital, or employed native capital to advantage and, above all, had brought to the service of Indian trade a considerable fleet of merchant vessels.

As soon as a large part of India, including all the principal shipping ports, had become a British possession with settled organs of Government, administered by the Company on behalf of the English Parliament, the situation was radically changed. Formerly, the functions of Government in the Company's settlements had been evolved from the necessities of commerce. The two functions of governing and of trading had been conveniently combined in the same hands and a trading monopoly was a practical condition of their fulfilment. That situation was now altered. The conquest of Bengal had

compelled the two functions to be more and more clearly distinguished. The greatly enlarged administrative responsibilities could no longer be entrusted to men who might be under an irresistible temptation to govern for their own profit. The position of things was reversed. Formerly, the Company had argued with much force that its power was rendered necessary by the requirements of its trade. Now, it maintained that its trade privilege was a condition of the continuance of its power. The argument was invalid since the power had already been virtually transferred from the Company to Parliament, representing the nation. The old argument for a trade monopoly had gone while no new arguments could be justified by appeal to the superior efficiency of the Company as an agency of national trade merely. It was thus only a matter of time before the larger commercial interests of the nation triumphed over the vested interests of the monopoly. This was brought about by the gradual growth of private trading, no longer resented as in the days of the interlopers, but acknowledged as fulfilling a necessary function within the Company's sphere of interest until it finally burst the bonds of restraint and secured the freedom of economic enterprise.

For nearly two hundred years after the grant of the Charter in 1600 the East India Company was in possession of a legal monopoly in the trade between the United Kingdom and the East. This monopoly was indeed constantly infringed by interlopers, but, although for the first hundred years the Company's privileges received only a half-hearted support at the hands of the English Government, yet the advantage which the Company enjoyed in India in the possession of an established trading organisation centered in its factories prevented the interlopers from gaining a permanent footing.

From the time of the amalgamation of the rival Companies in 1708 interloping, although it did not cease, was more closely controlled. The ships of private adventurers found it increasingly difficult to obtain admission to the Indian ports as the position of the Company grew stronger. But the effective obstacle in their way was the refusal of the customs authorities in England to allow the merchandise of irregular traders to enter the country.

While the Company had thus become secured in its monopoly power it had nevertheless found it inexpedient to attempt to confine the whole of the Eastern trade in its own hands. In the early days the Directors had often experienced great difficulty in providing sufficient capital to keep their factories in India fully employed and they were only kept going because the Company's servants struggled to maintain their position on account of the profits which they themselves were able to make by engaging in the country trade on their own account. The recognition of this divided interest on the part of the Company's commercial agents in India had certain obvious disadvantages. It caused those agents to be frequently concerned more to secure gain for themselves than profit for their employers and was the chief reason for the appearance of the trading abuses to which reference has been made in the previous chapter. At the same time the opportunity for private gain enabled the Company to attract the necessary recruits to its service at the cost of very small salaries. The system had been extended not only to the staff in India, but to the officers and crews of the Company's ships. A certain amount of space had always been reserved to them, varying according to rank, in which permission was given to import goods to be disposed of at the Company's sales on private account.

During the latter half of the 18th century three causes contributed to the increased importance of the private trader in the export of commodities from India to England.

After the servants of the Company had begun to acquire large fortunes it was necessary to provide a means by which they might be remitted to England otherwise than by the purchase of bills of exchange upon the Company in London, or upon the foreign Companies in Europe. In the second place it not infrequently occurred that the surplus revenues of the Company were insufficient to provide a full investment and the Company's servants were therefore from time to time offered shipping facilities for their exports to England. Such exports were disposed of at the Company's sales and were charged a commission of 3 per cent. on Indian goods and 7 per cent. on China goods. In the third place the Company found certain branches of its trade unprofitable. Thus, partly to escape loss to the Company and partly to increase the facilities for the remittance of private fortunes the export of indigo and raw silk were resigned more and more to the private traders.

The private trade to England was thus conducted for the most part by the Company's servants using the Company's ships for the transport of their goods and the Company's sales for their disposal in England. But there seems to have grown up under the protection of the Company a small body of free European merchants. sometimes composed of those who had resigned the Company's service, sometimes of those who had found their way to India and obtained a licence to continue under the Company's protection, and occasionally of traders who were merely present on sufferance. In various ways these free merchants performed useful functions. By their command of capital they were enabled

to finance the increasing body of planters engaged in indigo manufacture. They also contributed to the growth of commerce by taking off the surplus produce not required for the Company's investment which they exported for the most part to the various eastern markets.

The free merchants were, nevertheless, subject to important restrictions. They were only recognised when they held the Company's licence and were even then compelled to reside in the Presidency towns and were forbidden to travel in the interior without special permission. They were unable to hold land and were of course precluded from taking part in the inland trade.

There was, further, the anomaly that in certain respects the free merchants were under greater restrictions in carrying on an export trade to England than in conducting a similar trade to other European countries, a fact that tended to divert trade from English channels to those of the continent.

The colonial system as it was called, which consisted in practically restricting foreign trade to direct trade between the colonial possession and the mother country, had not been adopted by the East India Company even when its territories in India had become recognised as a British possession. Before its acquisition of territorial power the various nations having commercial establishments in India enjoyed the right to trade and to bring their ships into Indian ports. After the Company had become the ruling authority these rights were not interfered with provided that the nations in question were at peace with England. But the foreign traders, particularly in Bengal, gradually found it to be more advantageous to use the British settlements than their own and as this increased the dues and revenues of the Company they were encouraged to do so. Gradually the ships of states which had no settlement in India began to resort to Indian ports belonging to the

Company and this was also allowed as otherwise they might have used the ports of the French, Dutch, or other European settlements. Their right to trade was definitely recognised in 1795 and the British free merchants in the various ports gained largely by becoming the chief agents of the foreign traders. Thus it came about that while the free merchants enjoyed extremely limited opportunities to import and export to England they nevertheless obtained large shipping facilities for the conduct of trade with the continent of Europe.

The increasing importance of the free merchants necessarily led to a demand for greater freedom of trade with England and in this they received the support of a growing body of public opinion. The Company, while strongly resisting any attempt to abolish their trading privileges and denying that there was any scope for a greatly extended trade between England and India, nevertheless was anxious to give a better opportunity for its servants to remit their fortunes in goods and to prevent the diversion of trade from England to the continent. Thus in 1793 the first important step was taken in the direction of modifying the Company's trading monopoly.

By the Act of 1793 three classes of trade between England and India were recognised: first, the Company's trade consisting of the export of bullion and merchandise and the import of commodities comprising the investment; second, the private trade carried in the space allotted to the officers and crew in the Company's ships; third, the privilege trade for which the Company was now for the first time bound to furnish three thousand tons of shipping annually at rates of freight not exceeding £5 per ton outward and £15 per ton homeward in time of peace. The goods imported into England in the privilege trade were, like those of the private trade, disposed of at the Company's sales on commission.

At first the space allotted to the privilege trade was not fully utilised. Between 1795 and 1802 the total tonnage of the privilege trade actually used was only 1,466 tons. After that it rapidly increased and from 1803 to 1810 the total privilege tonnage was 20,277 tons. In the seventeen years 1793 to 1809 the sale of goods on account of the privilege trade amounted to £21,217,283 and on account of the Indian private trade to £7,543,076.

The rise of the privilege trade greatly strengthened the position of the free merchants who were soon active in demanding that the Company's trading monopoly to India should be abolished. The rapid increase of their imports into England and the fall in the prices of Indian produce which had been brought about by their commerce largely refuted the assertion of the Company that there was no scope for an extension of trade with India. At the same time the free merchants pointed to a number of difficulties which the restrictions placed upon them by the Company put in their way. They maintained that the high freight rates charged by the Company entirely prevented them from trading in certain commodities which might otherwise have been placed upon the English market with advantage. They declared that if allowed to charter ships on their own account they could obtain them at much lower rates than those charged by the Company. The Company's ships were designed for other than merely commercial purposes. They were never less than of eight hundred tons burden and were expensively constructed and armed. Despite the high rates of freight charged, the Company actually lost considerably by its obligation to carry the privilege goods. Moreover, since the Company's ships were engaged in warlike and political operations as well as in trade the times of their arrival and departure were uncertain and subject to long delay.

The free merchants naturally complained that while foreigners could export goods to and from India in what ships they liked they themselves were compelled to use the Company's ships only under conditions of great disadvantage. The Company met the difficulty in part by providing what was known as extra shipping of a cheaper type and at lower rates, but the free merchants still complained that they paid very dearly in comparison with the rates at which they could have chartered their own ships.

They were equally active in condemning the obstacles placed in the way of obtaining Indian produce for export on account of the system of pre-emption exercised by the Company in India in virtue of the regulations imposed upon the native producers.

In resisting the arguments of the free merchants the Company claimed that their trading monopoly was justified and necessary for the following reasons. Without the trading privileges it would have been impossible, it was said, for the Company to remit the territorial surplus in the form of commodities. Further, any considerable extension of private trade in India would be likely to lead to a return of those trade abuses which had only recently and with difficulty been suppressed. Again, while the scope for a largely extended trade was denied the effect of the privilege trade was said to have caused the over-stocking of the English market with cheap goods of bad quality.

The arguments of the Company were scarcely worthy of very serious consideration. The general body of commercial opinion was strongly opposed to a continuance of the Company's exclusive privilege and upon the renewal of its charter in 1813 its trading monopoly to India was abolished, although the monopoly of the China trade was continued until 1833. This latter was indeed the only really profitable branch of the Company's

commerce at the time. It had recently lost heavily by its import of cotton piece-goods and raw silk as well as by its obligation to provide the Government with saltpetre at a fixed price, the only important branches of Indian trade which it still retained in its own hands. The revenues of the Company could not, therefore, be said to have suffered from the abolition of its monopoly power.

As a matter of fact the free merchants continued even after the Act of 1813 to find themselves considerably hampered by the trade regulations of the Company to which they were still subject. They were, as before, required to obtain a licence to reside in India, involving the payment of a fee of £ 27-10-0, and were not permitted to travel freely in the interior, or to hold lands, or engage in the inland trade. The Company still continued to export cotton piece-goods to England as well as a considerable quantity of raw cotton to China and in both cases the free merchants complained that they were unable to obtain these commodities upon terms of equal competition with the agents of the Company.

By the Charter of 1813 no private ship was allowed to take part in the Indian trade of a less tonnage than three hundred and fifty tons and no such ship might engage in the coasting trade. This regulation was, however, abolished in 1823.

In one respect the private merchants gained rather than otherwise from the continuance of the Company as a trading body. After 1813 they were free to dispose of their imports into England as they liked, but the practice continued until 1833 of disposing of a large part of such goods at the Company's sales. This was probably due to the fact that the Company charged a fixed *ad valorem* rate for handling the goods and, since the prices of many articles had fallen considerably, the charges of the Company were lower than the real cost of the services rendered.

Despite the restrictions still placed upon the free merchants the foreign commerce of the British possessions in India developed rapidly in the early years of the 19th century. It is chiefly in the course of this commercial expansion that India is popularly described as having suffered the extinction of her manufactures. It is said to have been the deliberate policy of England at this time to crush Indian industry in the interests of British manufacturers and to render India merely a source of supply of raw materials. The most important supposed application of this policy is of course that which is said to have led to the destruction of Indian cotton manufactures.

An examination of the effect of the English tariff upon Indian trade during this period and in particular upon Indian cotton manufacture was given in the last chapter. A brief further reference to the effects of early British rule upon the manufacturing life of the English provinces in India and upon the cotton manufacture in particular may help to show that while indeed the hand weavers of India suffered severely from the growth of economic freedom and the rise of machine industry in England, as did the hand spinners and weavers of England itself, the result was not the outcome of a selfish commercial policy but the inevitable consequence of a time of rapid industrial progress in the West from which India, in the long run, has gained in common with the rest of the world. It is probable that in no country were the hardships endured by the labouring population during the Industrial Revolution so great as in England. In India the decline of hand weaving and spinning from which the actual producers had scarcely ever obtained more than a bare subsistence was soon compensated by the development of numerous other branches of production that directly resulted from intercourse with the West.

The efforts of the Company to stimulate the production of reeled silk have already been considered and shewn to have in no way proceeded from a wish to kill Indian silk weaving.

Another branch of production to which the Company gave much attention at about the same time was that of indigo. Like reeled silk the form in which indigo was exported was rather that of a semi-manufactured article than a raw material.

Early in the history of the Company's commerce indigo had been a considerable article of its trade. It was given up in favour of the supply from the British West Indies and, later, very large quantities were obtained from Carolina. The Declaration of Independence by the American States induced the Company to seek to revive the indigo trade of India. A contract was, therefore, given to a planter which, although profitable to the latter, involved the Company in a loss of £ 80,000. The Company, notwithstanding, persevered and in the course of a few years advanced to the planters nearly a million sterling with the result that the industry was placed on a successful basis. After 1788 the trade was left entirely to private hands.

The exportation of Indian indigo on a large scale dates from about 1790. From then on its cultivation greatly increased and in the early years of the 19th century the annual value of indigo exported was between two and three million sterling, while over one and a half million sterling was said to be paid each year in respect of the rent of their lands and the hire of their labour by the planters.

The production of indigo was chiefly centered in Bengal and Behar where there were between three and four hundred factories engaged in its manufacture. Small quantities were also exported from Madras, but of inferior

quality. The indigo trade was by no means monopolised by Europeans although the extension of the industry was largely the result of improvements introduced by them and by the more careful supervision which they gave to the manufacturing process.

Frequent complaints have been brought regarding the harsh treatment of the native growers of indigo at the hands of the planters. This question was inquired into more than once and was especially considered by the Committee of the House of Lords of 1830. While the balance of evidence goes to show that generally speaking the indigo planters were innocent of the charge of oppressing the ryats, there is no doubt that instances of harsh treatment occurred not infrequently. The relation between the planter and the cultivator was a difficult one. Usually the planters made advances to the cultivators who thereupon agreed to deliver so much weed at certain prices. The charges brought against the planters were that they compelled the cultivators to grow indigo against their will and that they forced them to accept prices that were unprofitable.

The difficulty arose largely from the fact that the indigo crops are notoriously uncertain. The planter advanced money to the cultivator; these advances were readily received and if the crop proved satisfactory the ryats would profit considerably and all would be well; if, on the other hand, the crop turned out badly the price for which the ryat had agreed to hand over the weed to the planter would be below the market price and when the planter pressed for the fulfilment of his contract it would appear that he was securing the crop below the proper value. No doubt at times the cultivators became indebted to the planters and the latter would then have it in their power to put pressure upon the ryats to continue the cultivation of indigo against their will.

Although oppression occurred from time to time the fact remains that it is far from profitable for a planter to be on permanently bad terms with his cultivators and this goes to support the main body of evidence which is to the effect that the relations between the indigo planters and the ryats were generally satisfactory and that taking good and bad years together the ryats profited considerably from the extension of indigo cultivation.

The important consideration in this connection, however, is the fact that the Company was led to encourage indigo plantation, not from any policy of forcing India to produce raw materials, but because it was one of the few products of Indian labour for which there was a large demand in England.

We may turn to consider the policy of the Company in relation to the only important branch of Indian manufacture, namely, cotton piece-goods.

In tracing the decline of Indian cotton manufacture it is important to distinguish between the cheap cloths made from coarse yarn, which comprised by far the largest volume of cotton manufactures, from the finer goods, commonly known as muslins, the production of which was long confined to Bengal and centered in Dacca. The coarse cloths found their largest demand in the home market of India although they were exported in considerable quantities to other Asiatic countries and to Eastern Europe. The production of these goods was not seriously affected by English competition until a period considerably later than that of the high import duties in England.

In the evidence before the Committee of the House of Commons of 1831 it was stated that the very cheapest kind of cotton cloths were still made more cheaply by hand in India than they could be imported from England. At that time, however, the middling and better

class of goods, commonly called Dacca muslins. were much dearer than the Manchester piece-goods. It is to the production of the finer classes of cotton goods that attention has chiefly to be directed. At the same time it must be remembered that the Indian manufacturers of coarse cotton cloths, although retaining their position in the home market, began to lose their foreign markets towards the end of the first quarter of the 19th century.

It is of considerable interest to discover at what period the decline of the cotton manufacture in Bengal really began.

Between 1765 and 1780 there are constant references to the decline of trade and manufacture in the correspondence between the chief officers of the Company's Government in India and the Directors in England and there is no reason to doubt that the cotton trade shared in this decline.

According to Taylor the output of the Dacca cloth trade in 1753 was estimated at twenty-eight lakhs fifty thousand Arcot rupees per annum, equivalent to about £350,000, of which the English Company and its servants in the private trade took about five lakhs fifty thousand Arcot rupees, or about £70,000. ("The Cotton Manufacture of Dacca," pp. 110 f.f.).

Rouse, at one time the provincial chief of Dacca, in a letter of September, 1776, stated that the production of cotton cloths in Dacca in that year amounted to £200,000 while ten years previously the production had been £300,000 per annum. If the decline at Dacca was typical of a similar decline which had taken place in other centres of cotton manufacture the total reduction of one-third of the former output represents a heavy falling off. The attempt to discover the possible reasons for such a decreased production leads to an examination of several contributory causes. There is no doubt that the trade must have

suffered to a considerable extent by the decline of the ancient splendours of the Mughal Court at Delhi as well as from the comparative impoverishment of the native Government in Bengal. In Mughal times Government establishments were maintained at Dacca and other principal weaving towns for the manufacture of muslins for the royal wardrobes. These supplied the needs not only of the Emperor at Delhi and his household, but those of the Nawab of Bengal also. While considerable stimulus was thus given to the manufacture of muslins it must not be forgotten that the conditions under which the weavers carried on their work and the profits which they derived from it were by no means always satisfactory. The Government weaving establishments were superintended by Daragahs who exercised uncontrolled authority over all persons employed in them. Guards were commonly placed over any weavers who showed unwillingness to work and corporal punishment was inflicted on them if they attempted to abscond. Besides being thus oppressed they were defrauded of a considerable portion of the wages allowed them by the Government. In the time of Siraj-Ud-Daula 25 per cent. was said to be deducted from their pay by those in charge. Special taxes were also levied on the weavers, called "Chappa Jamdanee," by the Zemindars which continued to be collected until they were abolished by the East India Company in 1792.

Raynal, referring to the weavers in the royal factories, says: "These unhappy people are forbidden under a pecuniary and corporal penalty to sell to any persons whatever a piece of cloth exceeding the value of 72 livres. The practice of the Government in obliging the best manufacturers to work on its own account although not paying them well and keeping them in a state of captivity makes them afraid of displaying too

much skill. A prevailing spirit of restraint and rigour stifles industry."

The treatment of the weavers by the Mughal officials is apt to be forgotten by those who are foremost in calling attention to the harshness of the rules enforced by the Company in its dealings with them.

A second cause contributing to the decline of Bengal cotton manufacture during this period was the rise of prices which resulted in the growth of the rival manufactures in the west of India to which reference has already been made. There is no doubt that a principal cause of this rise of prices was the famine of 1770. One-third of the population is commonly supposed to have perished with the result that the labour of those who remained was greatly enhanced in value. The estimate made by Rouse that the production of cotton goods in Dacca in 1776 was one-third less than had been the case ten years before was probably in no small measure due to the fall of population brought about by the Great Famine.

It is not easy to determine the effect of the increased demand on the part of the Company for cotton goods for the investment upon the prosperity of the manufacturers. It is commonly said that the system of preemption maintained by the Company and the abuses connected with its method of making advances to the weavers contributed to the decline. On the other hand Taylor states that the rapid increase in the Company's investment which took place after 1765 was reflected in the marked expansion in the production of cotton goods in Bengal. He describes the years between 1771 and 1787 as the most flourishing period of the Dacca cloth trade. He states that in 1787 the total output of Dacca cloths was valued at one crore twenty lakhs of rupees, or more than four times what it had been in 1753.

Soon after 1787 the trade began to decline and in 1793 the volume of the trade at Dacca was placed at thirteen lakhs sixty-two thousand rupees of which the Company and the private traders exported goods to the value of five lakhs eighty-eight thousand rupees. In 1807 the Company's exports from the Dacca factories rose to eight lakhs fifty-six thousand rupees but in 1813 they had fallen to two lakhs sixty-four thousand rupees. After that the importation of yarn and cotton cloth into India increased rapidly and the Dacca cloth manufacture still further declined.

In 1800 the population of Dacca town was said to be 200,000 while in 1838 it was given at 68,000. There is no doubt that during the period of falling demand for their products the weavers suffered considerably.

In his letter to the Board of Revenue in 1795 Taylor, then the Company's resident at Dacca, says that the weavers employed by the Company were at that time often very poor and not infrequently fled from the district to escape their position. "The distressed condition of the greater part was principally due to the very great decline of private trade and to the small profits which the weavers derived from manufacturing the Company's provision. On two articles, Mamnies and Mamudhiatties, forming more than half of the cloths ordered for 1794, the weavers appear not to have been quite repaid even for the price of the materials. Only on one article do they seem to have been paid the entire price of materials and labour and on none the full value of the cloths, the price of the materials, labour and profit." Taylor points out that the figures upon which this conclusion rests were provided by the weavers themselves who probably exaggerated their difficulties. But he adds, "There appear to me to be other much more certain grounds for a belief that the condition of the weavers is far from

being so prosperous as it ought to be." It appears to be established that the prices paid by the Company at this time to the weavers did not yield them a living wage.

If Taylor's account is correct, the principal reason for the falling off of cloth manufacture in Dacca was the contraction in the demand for export. Thus no attempt to bolster up the industry by means of a high import duty would have succeeded. Again, he places the beginning of the decline in the year 1787 and shows that it was well marked by 1793. Thus the war duties which began in England in 1797 were not responsible for the effect observed several years prior to their imposition. Further, the Company strove to maintain its sales in the European market and continued to export large quantities of piece-goods after the trade had ceased to be profitable either to themselves or the Indian weavers.

However hardly the Indian cotton weavers felt the effects of competition with British manufactures, the decline of the trade itself is not to be wondered at when one compares the slowness of the process of hand spinning and weaving in Dacca with the results of machine production in Lancashire. "The preparation," says Taylor. "of the warp thread of a full piece of plain or striped cloth of the Dacca station employs two men, according to the quality of the thread, from ten to thirty days. The weaving of such cloth employs two persons from ten to sixty days according to the quality. Unable as regards cheapness to stand in competition with the production of machinery, the cottons of Bengal since 1817 have been virtually excluded from the markets of Europe." Nevertheless in respect of specially fine muslins Dacca continued to hold its place as a centre of production for export as well as for the home market for some time longer.

Ure, writing in 1836 declared that "yarn continues to be spun and muslins to be manufactured at Dacca to which European ingenuity can afford no parallel." ("Cotton Manufactures of Great Britain," p. 54.) These goods however were costly and their market was therefore necessarily small. Broadly speaking the serious depression in the manufacture of Dacca muslins began in 1787 and had become marked by 1793. It gradually spread to the other branches of the cotton trade and before the end of the first quarter of the 19th century the depression had become general.

Digby refers to the decay of cotton weaving as "the ruthless destruction of Indian national industries." He says, "we compelled India to take our goods either with no import or with merely a nominal import duty." Here, as elsewhere, Digby is thoroughly inaccurate in his statements. For a number of years the hardships endured by the Indian weavers were due to the loss of their export market, not of their home market. No import duty would have affected the situation so far. Again the Indian cotton industry was never "destroyed." The home market was little affected until the second quarter of the 13th century and even then the volume of native production continued to be and is at the present time very considerable. Moreover there was no compulsion. It was a matter of price merely. No reasonable duty would have altered the result.

Regarding the power of the British cotton goods to compete with those of India at this time no fact is more significant than that of the rapid growth of the British imports into the Dutch market of Java. The Dutch merchants were at liberty to import from India as in previous times they had largely done. But in 1814-15 British cottons were sent to Java notwithstanding an import duty of 15 per cent. and by 1823 the value of

the cotton imports into that country was £300,000. As the result of the increasing import of English cottons the exports from Madras to Java practically ceased although the coarser cottons of Bengal continued to find a market in the countries of the Malay Straits.

A traveller familiar with both Persia and India stated that in 1823 he found the bazars of the former country which had previously been supplied with Indian products filled with British cotton goods, but that in 1820 while travelling in southern India he did not see any British cotton manufactures. He explained this as due to the fact that while south India had already lost the greater part of her export trade in cottons the British manufactures were not at that time produced cheaply enough to compete with the native products in their own market. (Ritchie, "Evidence before Select Committee, 1831.") This was indeed true in respect of the coarser native cloths, but the extent of the Indian consumption of British cottons not many years later is shown by the fact that in 1830 the imports into Bombay from Great Britain were as follows:—

Plain and coloured cottons ...	17,005,333 yards.
Cotton print	4,151,119 ,,
Cotton yarn	496,200 lbs.

The import into Calcutta in the same year was as follows:—

Plain and coloured cottons ...	14,905,685 yards.
Cotton print	3,441,110 ,,
Cotton yarn	3,774,779 lbs.

England has been blamed for not attempting to protect the Indian hand weavers by the imposition of heavy import duties. That England refrained from such a course was not due to any determination to destroy

Indian manufactures. Doubtless the private interests of English merchants were favoured by the admission of their goods into the Indian market upon payment of low import duties only. No duties however high could have preserved their foreign markets to the Indian manufacturers and the fact that no attempt was made to protect their home market was due to the growing belief on the part of Parliament in freedom of trade which led but a few years later to a very large reduction in the import tariff of England itself.

It is true that a policy of protection applied in India might have preserved the home market to the Indian weaver, but it is fair to remember the other aspect of the question to which attention is directed by a recent Indian writer. "Indigenous cotton manufactures are far more costly than European or machine-made manufactures. The latter have placed within reach of the mass of the population the means of putting on the appearance of respectability by being decently clad at a small cost." (Banerji, "The Cotton Fabrics of Bengal," p. 2.)

While the English Government took no steps to protect the Indian cotton manufacturers by means of import duties it is nevertheless untrue to state that they made no efforts to assist them. The system of internal duties and local taxes had long been recognised as imposing heavy burdens upon native commerce and industry. It was when the attention of the English authorities in India was drawn to the rapid decline of the native cotton manufactures that they began seriously to take up the problem of the reform of the inland duties and it was expressly stated that such reform was most needed in the interests of the weavers who were struggling to meet English competition.

While India was thus losing its position as a manufacturer and exporter of cotton goods her trade

as a whole was nevertheless expanding at a very considerable rate. Undoubtedly the chief causes of this expansion were the establishment of peace and security over a large part of the country together with the considerable advance in the direction of free economic enterprise.

The greatly extended freedom of private trade granted by the Charter of 1813 afforded a fresh impetus to Indian commerce and many new branches of trade began to be developed.

The growth of private trading marks a new era in the history of Indian foreign trade. The Company had confined itself in the main to the old methods and the old branches of commerce, but the private traders brought a special commercial ability and a new enterprise to bear with the result that they opened up markets in India for an increased variety of British commodities and at the same time began to export from India many articles which had never formed part of the Company's trade. A good deal was also done both by the Company and by the private traders in the direction of attempts at improving the methods of Indian production.

The increased demand for raw cotton resulting from the expansion of the English cotton industry for a time resulted in a large increase in the export of Indian cotton. It was soon found, however, to be very much inferior to American cotton both because it was shorter in staple and because it was frequently very dirty as the result of defective picking. The native method of ginning was also extremely defective and the Government made the experiment of introducing American ginning machinery, although without success.

The Company also tried to improve the native iron manufacture. The iron ore of various parts of India is abundant and of good quality, but at that time the native

methods of manufacture were very primitive. In 1808 the Company sent out from England a Mr. Duncan to examine the iron ore deposits of India with a view to the establishment of an iron industry. He established a factory under the protection of the Company at Kasimbazar but it was obviously ill-situated and it eventually came to nothing.

The Government of Madras also granted to a Mr. Heath, who had recently introduced English machinery for the manufacture of iron in south India, an exclusive privilege until the termination of its charter.

At this time also the coal mines of the Burdwan district began to be developed. The early development of mining seems to have owed a good deal to a certain Mr. Jones who was given permission by the Bengal Government to search for coal in different parts of India, the Government advancing him a sum of money for the purpose of his inquiry. The mines were first worked in 1816, and although the output for the first few years was very small it had risen to 16,000 tons per annum by 1830 and an export had begun to the Straits and to other parts of India. The coal mined in the early days was brought to Calcutta by boat, but at one season of the year only, as the river connecting the coal district with the Hughli was too shallow to permit of navigation except during the rains.

The high cost of coal was one of the chief difficulties in the way of the early use of machinery, although by 1830 a number of steam engines had been introduced into the neighbourhood of Calcutta for the purpose of pumping out docks, making and pressing paper, grinding flour, spinning and weaving and printing cotton cloths. One of the early uses to which steam engines were put was in the construction of steam tugs by means of which ships were taken from Calcutta to the sea-board

in one or two days, whereas unaided the sailing vessels had often occupied a fortnight in going from Calcutta to Saugar.

An important factor which contributed to the development of Indian foreign trade at this time was the great reduction in the rates for carrying ocean cargo.

In 1814 the Company frequently paid as much as £25 per ton in chartering a ship, but by 1831 ships could be chartered for 30*s.* per ton and sometimes as low as 15*s.* The great reduction in freight rates naturally caused Indian produce to be placed on the English market at much reduced prices while it also helped to extend the import of British piece-goods into India.

Despite considerable progress European commerce in India, even by 1830, was still in its infancy. There was at that time no European bank at Bombay, only one at Madras which belonged to the Company, while in Calcutta there was one joint stock bank of which the Company held a fifth share and four private banks.

The chief lesson taught by the history of the period between 1813 and 1833 was the superiority of the private merchant to the agent of the Company in the work of conducting the foreign trade of the country. Before the East India Company had officially terminated its existence as a trading body in 1833 it had almost entirely withdrawn from commercial enterprise. It ceased to export goods for sale to India after 1825 and in the course of the next few years the Company gave up the import into England of all articles except raw silk, a small quantity of manufactured silk goods, saltpetre and indigo. They had abolished all their factories for the provision of cotton piece-goods, the whole of their commercial establishments at Madras had been done awa with, and at Bombay nothing was left but one factor for

the provision of raw cotton to be sent to China. The Company had, in fact, come to the same conclusion as that expressed by Holt Mackenzie in his evidence before the Commons Committee of 1832 in which he said "The Government of India has quite enough to do in the political management of the country without having any concern with commerce; they never have paid and never can pay that attention to the commercial affairs of the country which they ought to pay in order to trade to the most advantage."

In considering the growth of economic freedom in India attention has been chiefly directed to the successive modifications in and the final abolition of the East India Company's trading monopoly. It is necessary now briefly to refer to the reform of the fiscal system of India which had long placed serious impediments in the way of freedom of trade with the result that both the internal and foreign commerce of the country were greatly hampered and restrained.

Under native rule the system of economy had been essentially provincial and local rather than national. Such a condition was in large measure the result of the difficulties of internal transportation. But it was also greatly encouraged by the existence of so many different governing authorities each of which possessed in various degrees the power of independent taxation exercised in such a way as to impede the freedom of exchange.

For some considerable time the Company did little to change the character of the tax system and each province in its administration was treated as a separate unit rather than as parts of an economic whole.

The Mughal tax system was divided into two main branches, the land revenue and the Sayer. With the land revenue we have here no concern. The term Sayer means a market and in its broader use relative to taxation

referred to a large variety of imposts upon trade and upon personal property which may be grouped into three main divisions. There were first, the sea customs duties upon imports and exports; second, the inland customs charged upon the transit of goods from place to place; and, third, a great variety of local taxes of various kinds levied upon traders and manufacturers. It is to this third class of taxes that the term Sayer in its more limited significance is generally restricted. The first two classes of taxes were, in theory at least, collected by imperial officials for the benefit of the general revenues. But all the larger zemindars occupied the position of petty princes in their own domains and imposed a number of local taxes for their own benefit. Whenever the imperial administration relaxed the great zemindars also assumed, with or without authority, the power of collecting transit duties on merchandise passing through their zemindary. The local taxes of the third class levied by the zemindars at arbitrary and varying rates according to their power and opportunity were extremely burdensome. "These duties which went by the name of Sayer, as they extended to grain, to cattle, to salt and all the other necessaries of life passing through the country and were collected by corrupt, partial and extortionate agents produced the worst effects on the state of society, by not only checking the progress of industry, oppressing the manufacturer, and causing him to debase his manufacture but also by clogging the beneficial operations of commerce in general and abridging the comforts of the people at large." (Firminger, Fifth Report, Vol. I, p. 152.) Among the commonest of such taxes were those imposed on the shops of workmen and retail merchants in towns, or upon the temporary stalls erected at the local fairs and markets, also upon goods entering or leaving the towns. Taxes were also levied upon dwelling houses in general

and upon the manufacturing appliances and the stock in trade of the village artisans.

Recognising the evil effects of such a system of taxation and more particularly of the methods of collection the Company in Bengal decided in 1790 to take the collection of the various taxes known by the name of Sayer into its own hands. Finding it impossible to collect them without great trouble and serious interference with local trade and manufacture it was decided in 1793 to abolish the Sayer duties, in the narrower sense of the term, altogether.

With regard to the internal customs duties, levied upon goods passing from place to place, it has been seen that under native administration they were a constant occasion for the petty extortions of local officials from which the smaller traders suffered more heavily than the large merchants.

The evils of the inland duties had long been recognised and in 1788 Lord Cornwallis abolished all the internal customs houses in Bengal and Behar, the inland trade only being subject to duty when passing across the Benares frontier at Manjee.

But in 1801 the Marquis of Wellesley re-established the internal customs duties, imposing a uniform rate of $3\frac{1}{2}$ per cent. irrespective of distance. When the province of Benares and the ceded and conquered provinces were included in Bengal the old native toll system still prevailed in those districts, but a single uniform system of transit duties for the whole province was introduced by Regulation 9 of 1810.

The re-introduction of the transit duties in the province of Bengal resulted in considerably greater impediments to trade than even those caused by the similar duties in force under native rule. In Mughal times the transit duties were levied in the form of very

low payments exacted at each customs station through which the goods passed. Thus the duties upon trade between neighbouring villages or towns were small and little felt. Under the new system of uniform rates charged once only, irrespective of distance, the traffic between neighbouring places was heavily burdened. The object of charging the duty at an uniform rate for all distances was to simplify the system of collection and to remove the evils associated with the repeated stoppage and examination of goods at each successive chokey. The results of the new system were entirely different from those intended. In the lower provinces of Bengal the great highway of trade was along the rivers Ganges and Jumna. At the principal markets on the banks of these rivers customs houses were set up. Between Furruckabad and Calcutta there were no less than ten centres for the collection of inland customs with a chokey at the entrance and the exit at each place. At each of these goods were stopped and the same process of examination, or the payment of a bribe as a means of escape, was repeated. In order that goods which had once paid duty might escape further payments and also in order that the correct rate of duty should be levied according to the nature of the goods it was necessary for those in charge of them to possess a Rowannah, or pass, to be presented at each chokey. The Rowannah had to specify the kind, quantity and value of the goods, and any discrepancy between the actual state of the goods and the description of them upon the Rowannah became punishable by confiscation or fine. The law further required that the goods should be neither other, nor more, nor superior in quality than those described in the Rowannah and the duty of enforcing this law fell upon the officers of the chokey. Immense power was thus placed in their hands. In practice no

real examination of the goods was made. Indeed if the law had been enforced at these inland stations trade would have been annihilated. The customs officers were in the habit of exempting the traffic from the operation of the law upon the receipt of what was considered an adequate bribe. So troublesome was the passage of goods through the customs houses that the larger merchants frequently maintained a special agent at each in order to expedite them as far as possible. Thus, while the system involved the maximum of inconvenience it produced a minimum of revenue.

In the districts lying away from the customs line along the banks of the river no chokeys existed at all. Thus, while one part of the province, and that the natural avenue of trade, was heavily taxed, the other part went free.

In the upper provinces of Bengal the trade was not, as in the lower provinces, confined to the river. Numerous roads being available for the passage of goods it had become necessary to place chokeys at frequent intervals in all directions "filled by public servants of the most worthless description acting without system and subject to no effectual control."

The town duties although less injurious than the transit duties were highly vexatious. They consisted of taxes levied upon certain commodities when entering or leaving certain towns. As some towns only were taxed and generally those in which the trade was most considerable the result was that commerce and manufacture left their natural centres for places that were free from the impost. As in the case of the transit duties the town duties were very imperfectly administered and smuggling was rife.

When the decline of the foreign trade in Indian cotton goods became prominently noticeable the Company

both in England and in India began seriously to consider the necessity for removing the handicap placed by the inland duties upon Indian products.

The Court of Directors wrote to the Governor-General of Fort William on the 11th June, 1823: "There is much reason to apprehend that the export of piece-goods from India has fallen to comparative insignificance in consequence of the improved state of machinery in Europe and the protection which the countries in Europe and the United States of Northern America are giving to their own manufactures by heavy duties on foreign goods or by absolute prohibition.

"It is also clear that the imports of British piece-goods into India have increased and although it has been doubted whether these articles come generally into use among the natives the circumstances in any point of view furnish a reason for removing all unnecessary charges from the native manufactures especially when it is considered that the piece-goods of Great Britain are introduced into India at a rate of duty considerably lower than that to which the native manufactures are liable on transit within India." The letter continues "we would not attempt by arbitrary encouragements to force a branch of industry which from a change in the circumstances of the country may in its nature have ceased to be profitable, but are anxious that no impediment should be interposed by our fiscal regulations in the way of any portion of that prosperity which such a branch of industry would otherwise enjoy. We should indeed be very willing to sacrifice revenue where it would appear to check the trade of India and still more when it could be shown to repress the manufactures in which so great a part of the Indian population is engaged. The principles on which our views are founded are so clear and just that we can hardly anticipate any possible objection on your

part. Unless therefore you can show that we are essentially mistaken in the facts from which these views are drawn we desire that you will immediately proceed to the abolition."*

The Governor-General had already partially anticipated the wish of the Directors, as is shown in his minute of the 29th May, 1823. He calls attention to the surplus revenue which the Company enjoyed at the time in India and went on to say that one part of the customs law required immediate alteration, *viz.*, that relating to the trade in piece-goods. Under Regulation 9 of 1810 piece-goods, whether cotton or silk, paid an *ad valorem* transit duty of $7\frac{1}{2}$ per cent. By the treaty with the Vizier of Oudh piece-goods from that territory paid a transit duty of only $2\frac{1}{2}$ per cent. on importation into the province of Bengal. Further, piece-goods imported from England paid a customs duty of $2\frac{1}{2}$ per cent. Since goods imported by sea did not pay transit duty it followed that both imported piece-goods and the piece-goods of Oudh obtained a preference of 5 per cent. as against the native products of Bengal.

The Governor-General, referring to the decline in the trade in native cotton manufactures, remarked, "the decline indeed has I believe been confined to the finer sorts of piece-goods. The manufacture of the beautiful fabrics of the eastern districts have nearly ceased. The general activity of commerce consequent upon the opening of the trade appears to have hitherto operated to prevent any failure in the demand for the coarser assortments, nay the aggregate imports of the piece-goods from

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* In view of this letter it is characteristic of the bias with which Dutt writes that he should state, as he does, that "the East India Company would not willingly sacrifice even a revenue of £ 220,000 or any portion of it for the prosperity of the internal trade of India." ("India under Early British Rule," p. 305.)

the interior of the country into Calcutta would appear to have considerably increased since the renewal of the Charter. But it will be seen that while the import into Calcutta of piece-goods the produce of foreign territories, chiefly Oudh, has more than doubled and appears steadily to advance there is exhibited a much less favourable result in regard to the produce of our territories. How far the tax has operated to check the manufacture I cannot attempt to define. The valuation according to which it is levied is generally moderate. It must, however, have had a considerable effect."

The adverse discrimination against the piece-goods of Bengal due to the operation of the transit duty was therefore removed by reducing the rate from 7½ per cent. to 2½ per cent. in 1823.

It will be noticed that so far from attempting to destroy Indian manufactures the Company began its reform of inland customs by removing a disadvantage under which the native cotton manufactures suffered in competition with English imports. For a few years however no general reform of the transit duties was undertaken.

In the province of Bombay the evils of the inland duties were perhaps less serious than in Bengal. As in Bengal the transit duties had been levied in the earlier Mughal period in the form of small tolls paid at each chokey through which the goods passed. Thus goods carried short distances paid very little and in respect of the traffic over long stages the difference in the price of commodities between one place and another was probably sufficient to enable them to bear the tax. It is probable also that at that time the transit duties were mainly confined to long distance traffic. All goods were classified under one of three heads and the determination of the particular rate to which any class of goods was liable was generally made without any extended examination.

Prior to British rule, however, the original character of the inland duties had been gradually changed and transformed into an inland consumption duty by charging them upon the produce of each district as it left the bounds of the village within which it was produced and upon articles of manufacture on leaving the place where they were made. Thus on every bye-road between one village or town and another customs stations existed for the levy of duties. It was on such short distance traffic that the inland duties now constituted the chief burden. This system continued during the early administration of the Company. Contrary to the practice in Bengal and Madras, where goods imported by sea and despatched inland paid no transit duties, goods imported into Bombay customs-free from Great Britain were not so exempted. Town duties in addition to the transit duties were also levied upon a large variety of articles. At Bombay the town duty was 4 per cent. on all goods coming in by land; at Surat it was 5 per cent.; at Ahmedabad $2\frac{1}{2}$ per cent. It is, perhaps, worth remarking that before the period of British rule these rates had often been as high as 10 per cent. or 12 per cent.

The whole machinery of the transit duties was considered so prejudicial that a Regulation for their entire abolition throughout the presidency was submitted to the Home authorities and formally sanctioned by them in 1827.

Meanwhile the financial difficulties of the presidency caused the intention to abolish the duties to be, for the moment, given up and, instead, attention was directed to the possibility of improving the existing system.

By Regulation 20 of 1827 transit duty was abolished in all the districts of the presidency except that of Guzerat upon goods which had paid sea customs. The transit duty upon cotton goods was entirely removed.

On all other goods a light toll was levied without particular reference to their value once in each Pargannah in each district through which they passed.

In Madras, before 1803, the native toll system had prevailed similar in character to that which pertained in Bombay under native rule.

That system was abolished in 1803 and a general duty of 6 per cent. was imposed on goods imported by sea or land into the town of Madras or produced within its limits. In the second place, a general duty of 6 per cent. was charged on goods imported or exported across the frontiers of the Madras territory. In the third place, 6 per cent. was charged on goods imported into certain provincial towns or produced within them. Goods belonging to the Company were exempted from duty. Under this system it was possible that the same goods might have to pay 6 per cent. on passing a land frontier, 6 per cent. on entry into a town, and 6 per cent. on the export of such goods by sea, or 18 per cent. in all. The duty fell very heavily upon cotton cloths intended for export and numbers of weavers were thrown out of employment in consequence. It was desirable in the interests of security and of trade that the weavers should reside in the towns, but in order to evade the town duties they frequently removed to the country districts. The town duties as imposed by the Regulation of 1803 were abolished in 1806, except in the city of Madras, but were revived in 1808 so far as goods imported into towns were concerned, but not for goods produced within their limits or exported from them. Cotton and cotton thread were specially exempted from town import duty.

In 1812 the system of inland duties was revised and a general inland duty of 5 per cent. was levied on every article except such as were necessary to the lowest orders of the people. Grain, cotton and cotton thread

were exempt from inland duty altogether except when exported to settlements of foreign European nations when they paid 16 per cent., or to the territories under native powers when they paid 8 per cent.

In Madras the conditions connected with the collection of the transit duty were considerably worse than in Bengal. Customs stations were so numerous as to be in the proportion of six to each Pargannah and the farming out of the collection to private individuals was a common practice which was attended with serious abuses.

The brief account that has been given of the transit and town duties will render it a matter of little surprise that the great impediments to trade resulting from the Indian tariff system were frequently referred to in the course of the Parliamentary inquiries into the affairs of the East India Company between 1830 and 1832.

In 1835 a committee was appointed by the Governor-General for the purpose of revising the customs regulations of all the presidencies. The instructions issued to the committee were that they should devise a system of customs revenue which would be in the highest degree productive with the least possible impediment and the utmost practicable encouragement to the course of trade. The committee at once recognised that the inland transit duties constituted the central evil of the existing system.

It was not that the rates were so much in need of revision as that a reform was required for a system which was said to expose "the honest traders to the customs' wearisome process of the search, weighment and inspection of his goods for the purpose of verifying the passes under which they travel; a process to which he may be subjected in every customs division and sometimes at the caprice of the lowest subordinates belonging to it. The expense even to the fair dealer hence incurred in

bribes to the Government's native officers must be considerable as well as in buying off informers who live by fraud and false witness. The loss of time, the detention from a favourable market and the enhanced prices necessarily put upon merchandise in order to cover so much expense must all tend to operate against the commercial prosperity of the country." (Letter to the Court of Directors, 2nd September, 1835.)

The evils of the system were admitted on all hands and in 1836 the transit and town duties in the lower and western provinces of the Bengal presidency were abolished. The loss of revenue estimated as thus caused was 13 lakhs of rupees and it became necessary to make up the loss of revenue by an increase of the sea customs charges. Although the transit and town duties were thus done away with there still continued the internal duties levied upon what was known as the frontier line of the province. The burden thus removed by the abolition of the transit duties in Bengal can be appreciated by the reference to the effect of the duties upon the Indian cotton and leather industries contained in Lord Ellenborough's letter to the Court of Directors in 1835. He remarks upon "the extreme importance in India of encouraging the cotton manufacture which has of late years been so nearly superseded by the importation of British cottons." He contrasts the duties payable by England for imported cotton goods, namely $2\frac{1}{2}$ per cent., with those which Indian cotton goods had to pay.

A 5 per cent. duty was imposed when raw cotton was brought from one district to another. If after it had been manufactured into yarn it was then transported a further $7\frac{1}{2}$ per cent. was levied. When it was carried from the place in which it had been manufactured into cotton cloth a further $2\frac{1}{2}$ per cent. transit duty became due. If the cloth was then dyed it would again pay a

further $2\frac{1}{2}$ per cent. and thus the native manufacturer before placing his finished goods on the market might have had to pay a total duty of $17\frac{1}{2}$ per cent. Similarly in the case of leather a 5 per cent. duty was charged on the raw hide, a further 5 per cent. upon the leather, and an additional 5 per cent. when the leather was made into boots or shoes. Thus at each stage of manufacture commodities in Bengal, if carried from one customs area to another, became subject to a new payment in respect of transit duty. No better method could have been devised for stifling the natural growth of trade.

In Bombay the reform of the inland customs was carried a considerable length by the abolition of the transit duties in 1838. The town duties still remained, but these also were abolished in 1844.

In the province of Madras the reforms were somewhat delayed, but by Act 6 of 1844 the inland duties were abolished there also.

We may now turn to consider the subject of the sea customs tariffs in the different provinces of India during the early 19th century. At this time each province formed a separate customs unit and trade between one province and another was as much subject to duty as trade with foreign countries.

In the presidency of Bombay the import tariff in force at the beginning of the 19th century was that imposed by Regulation 6 of 1799. This regulation repealed all the existing export duties and fixed an uniform import duty of $2\frac{1}{2}$ per cent. charged upon the manifest prices of all goods with the exception of grain which was duty-free.

In the case of goods imported in foreign ships an addition of 60 per cent. was made to the prime cost, upon which enhanced value the $2\frac{1}{2}$ per cent. was levied.

Certain classes of goods were also penalised even when imported in British ships. Thus on the goods of

the Coromandel Coast an advance of 15 per cent. was made upon the manifest prices for the purpose of calculating the duty. On goods from China the manifest prices were increased by 20 per cent. and on goods from Guzerat, Scinde, Cambay, Kutch and Pegu 10 per cent. was added. Goods from Persia and Arabia paid on an advance of 15 per cent. on the prime cost while goods from Batavia paid a 25 per cent. advance.

By Regulation 1 of 1805 the general import duty was raised to $3\frac{1}{2}$ per cent. and important changes were introduced by Regulation 10 of 1813 the chief purpose of which was a further discrimination against goods carried in foreign vessels. Goods so imported were now charged $4\frac{1}{2}$ per cent. and goods exported in foreign vessels paid a duty of $3\frac{1}{2}$ per cent. With the passage of Regulation 13 of 1815 we see a more definite intention of extending preferential treatment to the trade between India and Great Britain. This preference took the form of lowering the duties upon the staples and marine stores of Great Britain when imported into India in British or Indian built ships.

In accordance with these principles woollen goods of all sorts and unmanufactured materials and marine stores were exempted from duty. All other articles the products or manufacture of the United Kingdom not otherwise specified were charged at the rate of $2\frac{1}{2}$ per cent. All articles the produce and manufacture of foreign Europe when imported in British ships were charged 5 per cent.

In the case of goods imported in foreign vessels the advances in valuation imposed by the previous regulations were enforced. With regard to exports, indigo was to be allowed a drawback when shipped on a British vessel trading to the United Kingdom of the whole amount of the transit duty. A similar drawback was allowed on

the export of cotton wool and hemp. By Regulation 2 of 1817 the exemption from import duty of British materials when imported in British ships was explained as applying to all classes of such goods whether manufactured or unmanufactured. By this regulation also the import duty upon the produce and manufacture of foreign Europe when imported in British vessels was reduced to $3\frac{1}{2}$ per cent.

The discrimination in favour of goods imported in British ships seems to have led to the transhipment of such goods at the Portuguese ports of Goa and Diu whence they were sent on to Bombay in boats under British colours. To prevent this, by Regulation 2 of 1821, all goods from the ports of Goa, Demaun and Diu and other foreign European ports in India were charged upon an advance of 60 per cent. upon the invoice cost and at the rate of $4\frac{1}{2}$ per cent. An export duty of $3\frac{1}{2}$ per cent. was levied upon goods for the same ports.

In Bengal the customs tariff differed in the early years of the 19th century very considerably from that of Bombay. By Regulation 9 of 1810 a general import and export duty of 5 per cent. was imposed upon goods entering or leaving by sea when not otherwise enumerated. Upon a number of important articles, however, higher rates were charged. Thus cotton piece-goods, cotton yarn, silk piece-goods, drugs and china goods all paid $7\frac{1}{2}$ per cent. import duty; while metals, spices and various chemicals paid 10 per cent. The general rate of transit duty was $7\frac{1}{2}$ per cent. but a drawback was allowed varying from 5 per cent. to $2\frac{1}{2}$ per cent. upon exportation by sea. Goods that had paid the prescribed duties once, whether on importation or transit, were not required to pay any further duties in passing through the provinces subject to the presidency of Fort William. In 1811 by Regulation 3 the principle was introduced into Bengal of

charging double duties upon goods imported or exported in foreign ships. Thus by this regulation a very large number of commodities was subject to a 10 per cent. import duty even when imported in English ships and to 20 per cent. when carried in foreign ships. In the case of cotton piece-goods there was a drawback of 5 per cent. upon export in British ships and a similar drawback in the case of silk goods but only when exported to London.

In Madras the tariff differed again both from that in Bengal and in Bombay. Regulation 2 of 1812 imposed a general import duty at the rate of 8 per cent. upon goods carried in British vessels, or vessels belonging to the native inhabitants of the British territories, or to subjects of the native powers of Asia. Piece-goods imported by sea into Madras paid a further duty of 2 per cent. but raw cotton paid no duty at all.

No export duty was charged upon goods in British vessels leaving Madras, or in vessels belonging to the natives of India, except raw cotton which paid 8 per cent. On the other hand goods exported from any subordinate ports paid an export duty of 8 per cent.

Regulation 4 of 1812 imposed double duties in the case of goods imported or exported in foreign ships. The vessels of Portugal, however, were by this regulation to be treated as if they were British ships for the purpose of levying duty.

In the case of goods entering or leaving the Company's territories for the settlements of foreign European nations, the same duty was charged as in the case of goods imported by sea on foreign vessels. The payment of inland duty was additional to the export duties to which goods might be liable when leaving by sea. Articles of European import sold at the Company's sales were allowed in duty-free. By Regulation 7 of 1819 the Madras customs tariff underwent important changes,

the chief of which consisted of a preferential treatment in favour of the produce or manufacture of the United Kingdom. By this tariff the majority of articles the produce of the United Kingdom imported in British ships were admitted duty-free while other goods including piece-goods, printed cottons and calicos paid $2\frac{1}{2}$ per cent. duty. All goods the produce of foreign Europe paid a duty of 5 per cent. On a few articles such as wines and spirits higher rates were charged.

The principles regulating the provincial sea customs tariffs in the early part of the century may thus be described as follows :—

(1) The basis of the tariff was a low all-round import and export duty imposed for revenue purposes.

(2) Export duties were modified or repealed in order to stimulate the export of Indian produce.

(3) By means of the tariff a strong preference was extended to the use of British ships through the imposition of double duties upon goods imported or exported in foreign vessels. It is difficult to estimate accurately the extent of the burden which this rule placed upon Indian trade. The freights at that time were very heavy and any effective obstruction to the supply of shipping necessarily increased the burden of freight. It must be remembered that the British Government was not alone in the enforcement of discriminatory treatment against foreign ships.

In the early 19th century the French Navigation Law ruled that no product of Asia should be imported into a French port by a British vessel, nor from a British port in Europe even in a French vessel. It was thus clear that if Indian goods were to find a market in France they had to pay the higher rates of duty charged upon goods exported from the Indian ports in foreign bottoms. The Navigation Laws thus clearly increased the cost of

Indian produce in foreign markets and so tended to reduce the demand for them. The re-export trade in England was, of course, greatly encouraged.

(4) After 1815 the discrimination in favour of the produce of the United Kingdom imported into India was considerably extended. The principle of double discrimination against foreign ships and foreign goods resulted in an important preference to goods of British origin.

It is worth remarking that while a disposition was shown to favour the export of the staple manufactures of the United Kingdom to India by charging them slightly lower rates of duty, such preference was not extended to British cotton manufactures. On the contrary the first steps taken towards the reform of the Indian customs were directed to the removal of impediments to the export of Indian cotton goods.

As we have seen, the committee for the revision of customs appointed in 1835 had pointed to the transit and town duties as the worst features of the existing tariff law. The committee nevertheless also drew attention to the serious disadvantages which followed from treating each of the presidencies as a distinct economic unit with a schedule of sea customs duties exhibiting not only differences in the rates of duty charged but differences of principle according to which the tariff was constructed. In the opinion of the committee the time had come when a revision of the tariff was needed in order to bring the three provinces under an uniform sea customs law. With these views the Governor-General was in accord.

In his letter of 1835 Lord Ellenborough had said, "I look forward to the time when the whole peninsula of India will be as regards the commercial intercourse of its population one great Empire." In the course of the next few years the policy here foreshadowed was in a large measure carried into effect.

In 1836 by Act XIV a revised tariff was introduced into Bengal which became a model upon which the other presidencies based their schedule of duties. The general principles of this tariff were the same as those which characterised the previous tariff legislation. Low import duties were charged upon the produce of the United Kingdom, or of British possessions, which were doubled in the case of goods coming from foreign countries. Again double duties were charged in the case of goods imported in foreign ships. Thus the general rate of duty was $3\frac{1}{2}$ per cent. upon British goods imported in British ships, $7\frac{1}{2}$ per cent. in the case of such goods imported from foreign countries or of British goods imported in foreign ships, and 14 per cent. in the case of foreign goods imported in foreign ships. While the general rate of import duty was $3\frac{1}{2}$ per cent., woollen goods paid only 2 per cent., while metals paid 3 per cent. A few articles of luxury such as spices, tea and wines paid 10 per cent.

Low *ad valorem* export duties at the rate of 3 per cent., or equivalent specific duties, were charged upon practically all goods leaving the country except cotton wool exported to Europe or the United States and sugar and rum exported to the United Kingdom which were free.

In 1838 Bombay by Act I adopted practically the same schedule of duties. In 1844 this schedule was adopted by Madras also. From this time the three provinces may be regarded as a single economic country possessing an identical tariff of import and export duties.

By Act IX of 1845 the general rate of import duty in British India was increased to 5 per cent. and the preference previously extended to woollen goods and metals was withdrawn. The only lower rate was that upon cotton thread, twist and yarn which as the raw

material of Indian cotton manufactures was given a preferential rate of $3\frac{1}{2}$ per cent.

We have seen that hitherto goods imported in foreign vessels had been charged at double the duty paid by goods imported in British vessels. In 1837 vessels belonging to the ports of Arabia and the Persian Gulf, as also those belonging to ports in the Red Sea subject to the ruler of Egypt, were put on the same footing as British ships in the port of Calcutta.

In 1839 a similar privilege was given to them in the port of Bombay.

By Act VI of 1848 the distinction as regards customs duties between British and foreign ships was entirely removed. In connection with this Act an important question was raised by the Government of Madras in 1850. In the presidencies of Madras and Bengal goods passing the frontiers of foreign European settlements and of certain native states, as well as goods travelling by sea between such places, were charged at the highest rates of duty levied on the general foreign trade by sea, in other words at four times the general rate charged upon British goods in British ships. By removing the discrimination against goods in foreign vessels the only discrimination remaining was the double duty imposed upon the import of foreign goods. The question was thus raised whether it was the intention of the legislature to reduce by half the land and sea customs duties imposed upon the trade with the foreign European settlements and the native states concerned. In 1850 the Government of India declared that such had been the intention and thus a further important step towards internal free trade was taken.

In 1850 the discrimination against foreign ships was finally abolished by throwing open the coasting trade of India to vessels of foreign nations on equal terms with those of British ships.

Thus by the end of the first half of the 19th century the most pressing reforms in respect of the tariff laws in force in the British territories in India which had for so long violated all sound principles of taxation had been completed. The inland transit duties and the town duties had been abolished. The anomaly presented in the existence of widely different sea customs duties in the several provinces had been removed. The old habit of favouring the English woollen industry exemplified by charging an import duty at less than the general rate had been finally abandoned. While substantially in accordance with the principles of free trade the tariff still contained two elements of discrimination.

In accordance with the principle of preferential dealing between the United Kingdom and her over-seas possessions while in the English tariff certain Indian products were given a preference over those of foreign countries, in the Indian tariff goods imported from or exported to the United Kingdom continued to be charged at half the rates of duty paid upon the trade with foreign countries.

A further form of discrimination was that made in favour of the Indian cotton manufacture by the admission of cotton yarn at a lower rate than that charged upon the import of British cotton manufactures.

The retention of export duties upon a large variety of Indian products could only be defended on the ground that in giving up the inland duties the Government had to rely upon additional receipts from the sea customs for the maintenance of the necessary revenue. But these were minor defects. The great achievement of the period had been the abolition of the inland duties and the introduction of an unified sea customs tariff into the different provinces of British India.

In 1858 the East India Company came to an end and the territories which it had previously governed in trust for the Crown now became part of the British possessions without any intermediary interest between the ruler and the people. From an economic point of view the change had no great significance. The proprietors of the Company had long ceased to have any pecuniary interest in the revenues of the territories administered by the Court of Directors.

With the passage of the East India Company the last vestiges of the old era of monopoly and privilege disappeared. It remained for the British Government to complete the changes necessary for the establishment of free trade. A brief account of these changes will be given in the concluding chapter.

CHAPTER IX.

The Establishment of Free Trade.

The direct Government of India which was established by the abolition of the East India Company in 1858 did not begin under favourable financial auspices. The cost of suppressing the mutiny had imposed heavy additional expenditure and it became necessary to suspend any further reforms in the fiscal system which were likely to result in a diminished revenue.

The sea customs tariff as imposed by the Act of 1845 was still marred by a number of defects the removal of which had been urged by the mercantile community whose views had been accepted by the Court of Directors in their despatch of the 22nd April, 1846. The principal changes then recommended were first, the abolition of duties on the export of the staple commodities of India with the exception of indigo; second, the abolition of duties on the port to port trade; and third, the abolition of the double duties charged upon goods carried in foreign ships. We have seen that the second and third of these reforms had been carried into effect before the termination of the Company's history, but there remained certain further changes the need for which continued to be pressed upon Government. These were:

(1) The equalization of the duties on British and foreign manufactures and the assimilation of duties on manufactured and unmanufactured goods.

(2) The exemption from duty of all articles producing an inconsiderable revenue.

(3) The abolition of export duties.

(4) The augmentation of import duties.

In the despatch from the Home authorities to the Government of India in 1859 the policy of removing the discrimination between British and foreign goods was approved, but in order to carry this out the intention was expressed of raising the duties on British goods to the level of those imposed on commodities of foreign origin, rather than of lowering the latter to the level of the former.

As regards the assimilation of the duties upon manufactured and unmanufactured goods, the despatch declared it to be undesirable that any fiscal arrangements should throw impediments in the way of native industry and in so far as the admission of raw materials into India encouraged the growth of industries for the purpose of working them up into finished products it would be well that they should be encouraged by a difference between the duties on manufactured and unmanufactured articles.

On the subject of export duties the despatch agreed with the view put forward by the Government of India that "without defending them in theory they are already so low, and India has so great an advantage over other countries in the production of the articles on which they are chiefly levied, that they cannot be believed to offer any impediment to exportation." This being so, and in view of the financial needs of the Indian Government, it was suggested that an increase, if necessary, should be made in the rates of export duty. It was agreed that as regards cotton, sugar and rum, the exemption from export duty should continue. Upon raw silk, jute, linseed and other oil producing seeds it was also declared to be undesirable to levy an enhanced charge. But upon goods in respect of which India was said to possess a virtual monopoly, such as indigo, lac-dye, shellac and possibly saltpetre, borax and a few other minor products, an increase was suggested.

With regard to the import duties, the despatch remarked that the total imports into the three presidencies amounted to about fifteen million sterling per annum, while the import duties levied only amounted to £700,000. It was pointed out that duties might either be so low that no extension or reduction would lead to increased consumption, or, on the other hand, so high that any increase would drive consumers to discontinue the use of the highly taxed article. Neither of these conditions were thought to apply to the existing Indian tariff and it was suggested that a moderate, or even in some cases a considerable, increase in import duty might be imposed without leading to any injurious check on consumption. In view of the financial needs of the Government, the despatch approved of a revision of the tariff based on the general principle of levying upon wholly or partially unmanufactured goods 7½ per cent., upon all manufactured articles consumed by the general mass of the community 10 per cent., and upon articles of luxury 20 per cent. In all cases in which the quality and values of different articles comprised within a single class of goods were not subject to much variation it was recommended that specific duties should be charged at fixed rates instead of on the *ad valorem* principle in order to avoid disputes as to correct valuation.

By Act VII of 1859 a new tariff was brought into operation. The schedule of import duties differed in an important principle from the suggestions of Lord Stanley's despatch embodying the policy of the Home government. The retention of the distinction between manufactured and unmanufactured goods which had there been advised was ignored with two exceptions. Machinery for the improvement of the communications and for the development of the resources of the country were to be admitted free while cotton thread, twist and yarn paid 5 per cent. *ad valorem.*

All other articles unenumerated paid 10 per cent., while upon a number of articles, such as tea, coffee, tobacco, spices, grocery, haberdashery, etc., the rate was 20 per cent. Exports of articles unenumerated paid 3 per cent., lac-dye and shellac 4 per cent., indigo Rs. 3 a maund, grain of all sorts 2 annas a maund, while raw silk, tobacco, cotton, wool, sugar and rum and a few other articles were duty-free.

An important consequence of the new tariff was that the duties upon British cotton piece-goods were doubled and in some cases quadrupled. The Bombay importers declared that they could not under the new tariff meet the competition of the Indian factories in the manufacture of cotton goods. It was said that the additional 5 per cent. duty would destroy the profit upon the cotton imports, with the result that the consumers would have to bear the charge in higher prices while the English trade would suffer.

The tariff of 1859 represents the high-water mark in the rise and fall of the Indian customs duties. It was essentially a tariff for revenue and was supposed to be constructed on the principle that the rates of duty should not seriously check the volume of consumption. It was impossible, however, that taxes of 10 per cent. and 20 per cent. upon practically all imported articles should not be reflected in a considerable rise in the prices charged to consumers. The natives of India had come to rely very largely upon imported cotton piece-goods and the advance of duty from 5 per cent. to 10 per cent. involved an appreciable increase in their price. But the new tariff bore even more heavily upon the members of the European community. Almost every imported article of common consumption now paid a duty of 20 per cent. in place of a former duty of 5 per cent. Such an advance constituted a heavy addition to the taxation upon a

limited class. Even from the point of view of revenue yield the rates were so high as in many cases to defeat their object. It was thus soon found expedient to revise the tariff of 1859. It was in fact amended in the very next year by a reduction of the duties previously charged at 20 per cent. to 10 per cent. At the same time the duty on cotton twist and yarn was raised to 10 per cent., so that the import tariff consisted of an uniform rate. A further exemption from export duty was made in the case of wool, hides, jute, flax and tea.

The high duty on imported cotton twist and yarn was naturally regarded as a serious handicap to the rising cotton manufacture of India although in 1860 the imported raw material was only brought to a level with the duty on imported finished piece-goods from the United Kingdom.

In 1861 the preference to Indian cotton manufacture was revived and the duty upon cotton twist and yarn was reduced to 5 per cent., while in 1862 it was further reduced to $3\frac{1}{2}$ per cent., the duty on imported cotton piece-goods and other manufactures being at the same time reduced to 5 per cent.

In 1864 the general rate of import duties was reduced from 10 per cent. to $7\frac{1}{2}$ per cent., while in 1867 a number of articles were added to the free list both in respect of import and export duties.

The tariff remained substantially unchanged until 1874 when the export duties were further reduced so as to be chargeable only upon the following classes of goods, *viz.*, grain, indigo, shellac, tanned hide, seeds, spices, oils and cotton goods of Indian manufacture. At that time the sea customs revenue was £2,451,852 of which £1,773,723 was derived from imports, and £678,129 from exports. (Exchange calculated at 2*s.* to the rupee.)

In 1874 the Manchester Chamber of Commerce reported to the Marquis of Salisbury, then Secretary of State for India, that the Indian cotton mills, the output of which had considerably increased, by using raw cotton imported from Egypt and America upon which no duty was imposed might compete with the English goods of the finer descriptions whereas the Indian mills had hitherto been confined to the manufacture of coarse goods from indigenous cotton. A demand was put forward that in the interests of the Indian consumer and in order to remove an injustice to the English manufacturer the duty of 5 per cent. upon imported cotton piece-goods should be removed.

The subject was referred by the Indian Government to a committee for consideration with the instruction that customs duties in India were not imposed or maintained for the purpose of affording protection to any branch or class of industry, but for revenue purposes only.

The Government thus definitely avowed its acceptance of free trade. As a matter of fact its recent actions in regard to the tariff had not been very consistent. In 1859 Lord Stanley had expressed approval of the policy of encouraging Indian industries by the admission of raw materials and semi-manufactured articles at a lower rate than finished products. The Indian Government had ignored this recommendation by imposing in the same year a uniform duty at the rate of 10 per cent., with the exception of cotton yarn. In the following year this remaining instance of discrimination had been removed by raising the duty on yarn to 10 per cent. In the very next year, 1861, the duty on yarn was again reduced to 5 per cent., while that on imported piece-goods continued at 10 per cent. When the duty on piece-goods was reduced to 5 per cent. in 1862, the preference in favour of the Indian weaver was retained

by lowering the duty on yarn to $3\frac{1}{2}$ per cent. When the declaration in favour of free trade principles was made in 1875, this preference was still in force.

The Tariff Committee approached the question of the cotton duties, according to instructions, primarily from the standpoint of the effect of the suggested change upon revenue. They stated that the Indian mills could now make mule twist up to 32*s.*, and water twist up to 20*s.*, as well as certain classes of coarse cloths. "The prospect of the finer kinds of yarn and cloths being made with profit or success is notoriously so remote and the enterprise so doubtful that it is quite unnecessary to take it into present calculations." The duty levied upon those classes of Manchester goods which had to meet Indian competition was said to amount only to about four lakhs of rupees in all India. On the other hand the duty upon the imported cotton goods which were unaffected by local competition were said to amount to seventy-seven lakhs. Thus by a removal of the duty as requested by the Manchester Chamber of Commerce a large revenue would be sacrificed in order to benefit a very small proportion of the trade which alone might stand in need of relief.

To establish equality of competition the alternative to the removal of the duty was the imposition of an excise duty on Indian mill products. On this subject the committee quoted with approval the theory expounded in the Legislative Council in 1862 when the question of an excise duty had been under discussion.

"Free trade does not mean that there shall be no taxes but that taxes shall be levied solely with a view to revenues, and not partly for revenue and partly for protection.

"That every customs duty on an imported article should have a corresponding excise duty on similar articles produced at home has therefore become an axiom.

and it only admits of one exception—where the amount of import duty is so moderate that it does not seriously affect trade, while it makes it obviously inexpedient to establish an excise machinery for the sake of levying a trifling duty."

The committee decided that the case of the import duty on cotton goods was such an exception.

The Government of India expressed agreement with this conclusion. The trade statistics showed that recent imports of cotton twist, yarn and piece-goods had been as follows:—

				£
1859–1861	average	annual	value	11,000,000
1862–1865	,,	,,	,,	12,150,000
1867–1870	,,	,,	,,	17,966,000
1871–1874	,,	,,	,,	17,970,000
1874–1875	value			19,387,270

These figures did not suggest any appearance of a diminished demand in India for English cotton manufactures.

In order to prevent unequal competition on the part of manufactures made from imported Egyptian or American raw cotton the Government decided to impose a 5 per cent. duty upon foreign raw cotton imported into India, so that as nearly as possible the same tax might be levied upon all finer qualities of cotton goods whether produced in India or imported from abroad.

While the subject of the cotton duties was being debated and before the Home Government had expressed its decision on the matter the Government of India passed the Indian Tariff Act of 1875. By this Act the general rate of import duty was reduced from 7½ per cent. to 5 per cent. Cotton twist paid 3½ per cent. and iron 1 per cent. All export duties were removed except those upon indigo, rice and lac.

When this measure was introduced into the Legislative Council it was explained that the Government, while seeing no immediate reason to abandon the slight preference extended to Indian cotton manufacture by the difference in the duty charged upon cotton piece-goods and cotton yarn, were yet prepared, if necessary, to accept the principle expressed by Mr. Wilson in his financial statement of 1860 when he said he could "discover no good reason why cotton yarn and twist should be imported at a lower rate of duty than cotton piece-goods." The Government declared that if the Indian mill manufactures should assume more important dimensions the proper course for the purpose of putting home and imported goods on an equality would be to impose an excise duty upon Indian cotton manufactures. It was thus made clear that the Indian Government, while accepting the principles of free trade, refrained from the imposition of an excise duty at the moment on the ground that it would be troublesome to collect and that the element of preference to the Indian mills under the conditions then existing was trifling. On the other hand to eliminate all appearance of preference by a removal of the duty upon imported cottons would sacrifice an important and otherwise satisfactory source of revenue.

The Secretary of State at once expressed his disapproval of the newly imposed import duty upon raw cotton and of the retention of the duty upon imported cotton manufactures, suggesting that immediate steps should be taken to abolish the latter duty in the course of a fixed term of years.

The matter had now assumed the appearance in popular discussion of a conflict of interest as between the Indian cotton manufacturers and the English manufacturers of Lancashire and it was freely asserted that the interests of India were to be sacrificed to those of

England. There was admittedly a conflict of real or supposed interest between two groups of producers, but it is important to separate this aspect of the question from the larger one, *viz.*, the justification for the retention or removal of the tax from the standpoint of the interests of the two countries as a whole. From this point of view it is well to recall the arguments put forward by the Secretary of State in favour of the removal of the duty and to compare them with those of the Government of India in favour of its rentention.

With regard to the interests of the Indian cotton manufacturers Lord Salisbury declared that the protective effect of the 5 per cent. import duty on piece-goods was probably insignificant in view of the great natural advantages which the Indian industries possessed in the shape of its supply of indigenous raw cotton and cheap native labour. He thus viewed the protection as unnecessary from the point of view of the producers. "An industry," he said, "like the cotton manufacture of India which had a real and independent vitality receives little or no benefit from a protective duty. In such cases the consumers are the sufferers in respect of the price and still more in respect of the quality of the article they consume without any real advantage to the industry which is protected at their expense."

Viewing the extension of Indian cotton manufacture as certain he was, nevertheless, unwilling that it should grow up in the expectation of receiving a measure of protection which it did not in fact need and wide experience had proved to be unsound.

From the standpoint of the Indian people the interest of the consumer was represented as more important than that of the producer. The success of the latter was assured without the duty, while it was said "there are undoubtedly no inconsiderable proportions of the

population of India to whom this duty has had the effect of raising the cost of one of the first necessaries of life."

From the standpoint of the English producer there appeared to be a legitimate ground of complaint that the British Government should sanction a departure from the principles of free trade in an important region within its rule which introduced an element of adverse discrimination in the trade between one part and another of the British territories.

Thus, if upon economic grounds Lord Salisbury was justified in his argument that the cotton duty was unnecessary and in the long run harmful to the Indian producer; that it constituted a burden upon the Indian consumer; and that it discriminated unfairly as against the English manufacturer, the only remaining economic consideration was that relating to the effect which the removal of the duty would have upon the revenue of India. The Indian Government calculated that by the abolition of the import duty upon cotton goods a revenue of £800,000 would be sacrificed.

It is impossible to determine precisely the incidence of such a duty. While no doubt it fell partly on the British manufacturers it is probable that a considerable share was borne by the Indian consumers and those largely of the classes that were well-to-do. The tax could therefore hardly be described as very burdensome and new forms of taxation in India are difficult to devise. By the tariff of 1875 the general rate of import duty had been reduced from 7½ per cent. to 5 per cent. and a possible source of revenue would have been to re-impose the former general rate. It was asserted, however, by the Indian Government that the reduction of the tariff had only resulted in a loss of less than £200,000 per annum to the Government. To revert to the higher rate would thus not compensate for the loss upon the repeal of the cotton duties.

By the Act of 1875 considerable reductions had also been made in the export duties. Export duties, however, had always been regarded as unsound in principle with few exceptions and the Government was unwilling to restore an element in the tariff which had been generally condemned in India and in England alike.

Thus from the point of view of Indian finance it was imperatively necessary to discover an alternative source of revenue which should be less objectionable in principle and equally productive as the cotton duties.

Apart from considerations of financial necessity there seems to be no doubt that the arguments which the Government of India put forward in favour of the retention of the duties were unsound. They declared their general adherence to the principles of free trade, and argued that the cotton duties were not in practice protective, since the markets supplied by the Indian mills and by the imported cottons were practically distinct. If they were correct in this assertion there could be no question of sacrificing Indian interests in the shape of the native cotton manufactures to those of Manchester. It was definitely the belief of the Indian people that the duties were protective and that they were desirable in the interests of the Indian cotton mills and the Government of India urged as a reason for the retention of the duties that it was inexpedient to excite discontent by their removal. Thus the Government itself desired to act upon an opinion which on its own showing was grounded in a fallacy.

There is no doubt that the duty was in some measure protective in its effect. It appears equally certain that the Bombay mills were not in need of the small element of protection which the duty afforded. The industry was rapidly increasing. In 1870 there were said

to be only eleven cotton mills in the Bombay Presidency while in 1875 there were no less than thirty-eight.

The imports of coarse cloths and yarns from England had already fallen off very considerably. The following table shows the decline in the import of those goods which came into competition with the products of the Indian mills between the periods 1858-59 to 1860-61 and 1872-73 to 1874-75.

Years.	T. cloths.	Long cloths.	Domestics.	Mules above 20*s.* under 30*s.*	Mules 20*s.* and under.	Water 20*s.* and under.
	Pieces.	Pieces.	Pieces.	lbs.	lbs.	lbs.
1858 to 1860 .. Average	985,756	381,230	179,664	800,191	477,756	1,331,531
1872 to 1874 .. Average	604,645	105,969	8,965	271,773	29,840	204,792

This increase in native production must of itself reduce the revenue from the duties upon cotton imports upon which the Government relied. If the 5 per cent. import duty did not constitute a serious burden upon the consumers a moderate excise duty was not likely to do so either and the argument formerly employed against an excise duty that it would be unproductive on account of the small volume of Indian cotton manufactures was evidently losing its validity. Moreover the recent developments in the Indian mills showed that it was unlikely that the competition between the cotton goods imported from England and those manufactured in India would be confined to the coarse grades alone. Certain Indian mills were already adapting themselves for the production of the medium qualities.

In objecting to the cotton duties Lord Salisbury declared that "whether the question be regarded as it affects the consumer, the producer, or the revenue, I am

of opinion that the interests of India imperatively require the timely removal of the tax which is at once wrong in principle, injurious in practical effect and self-destructive in its operation." In thus appealing to the interests of India in favour of the removal of the tax Lord Salisbury was led to overstate his case. The facts appeared to justify his statement that the Indian producers were not in need of protection. He justly argued that it was unwise to encourage a well-established industry possessed of great natural advantages to become accustomed to rely upon tariff aid. It was permissible also to argue that a protective duty upon Indian cotton manufactures would hasten the day when the duties upon cotton imports would become an unimportant item of revenue. If the duty was thus self-destructive in principle it was on the other hand certain that the process of destruction would be long drawn out. The duties were likely to be highly productive for a considerable time to come. If on the other hand the chief appeal was to the interest of the Indian consumer it was necessary to show that while relieving them from the burden of the cotton duties a less onerous form of taxation could be suggested which would at the same time produce the required revenue. The requirements of the Government and the relief of the consumers could not both be realised. The antinomy thus presented was met by a denial on the part of the Secretary of State that the Government of India was unable to afford a reduction in its revenue. The suggestion that the removal of the cotton import duties might render necessary the imposition of an excise duty upon Indian cottons was strongly condemned. "I can hardly conceive," said Lord Salisbury, in his dispatch of May 1876, "a course more injurious to a young and rising industry in the natural growth of which India has the deepest interest."

The policy of the Government of India of throwing the burdens of taxation upon trade and industry, whether in the form of import duties, or excise duties, was repudiated. The dispatch emphasised the view that the principal source of revenue should be the realised wealth of the country. Such a recommendation was doubtless in accordance with the principles which should govern an ideal system of taxation. It would not be difficult to show, however, that these principles were extremely difficult of realisation in India.

The Government of India had emphasised as an important reason for the maintenance of its revenues the fact that the falling price of silver involved a heavy loss in making its home remittances. Lord Salisbury expressed his opinion that the Government should not act on the assumption that the fall in silver was likely to be continuous. The revenues of the three preceding years had shown substantial surpluses which, in his opinion, could be best used for the remission of taxation. "The remission of taxes which restrict the trade and consumption of the people, and weigh upon the springs of industry, is an object of more immediate interest even than the reduction of debt, or the extension of public works which are not directly remunerative." The financial policy thus strongly recommended was the combination of strict economy in expenditure with the remission of taxation so far as, with due precaution, it was made possible by realised surplus income.

Not the least interesting feature of the discussion between the Secretary of State and the Government of India on the subject of the cotton duties was the repudiation by Lord Salisbury of the claim put forward by the Indian Government that measures affecting the customs tariff should be left entirely to the responsibility of the Government of India. This view was strongly condemned

and the necessity for obtaining the consent of the Home Government before making important changes insisted upon.

For a short time the tariff of 1875 continued unchanged, but in 1877 the House of Commons passed a a resolution that "the duties now levied upon cotton manufactures imported into India being protective in their nature are contrary to sound commercial policy and ought to be repealed without delay as soon as the financial condition of India will permit."

In 1878, the import duty upon certain coarser kinds of cotton manufactures specially subject to competition with similar goods manufactured in India was taken off.

In 1879 the exemption was carried further and made applicable to all cotton goods containing no yarn of a higher count than thirty. Immediately afterwards the House of Commons passed a second resolution to the effect that "the Indian import duty on cotton goods being unjust alike to the Indian consumer and the English producer ought to be abolished; and this House accepts the recent reduction in these duties as a step towards their total abolition, to which Her Majesty's Government are pledged."

The partial remission of the duty caused a good deal of practical difficulty in respect of tax collection and the English manufacturers devoted their attention to the production of goods which would just come within the category of free goods. On this account the customs revenue yielded by duties on cotton goods greatly declined. In 1882 having a considerable surplus revenue the Government of India introduced a new tariff in which practically all import duties, including that on cotton manufactures, were abandoned. Between 1882 and 1894 the Indian Cotton mills were without any protective advantage from the tariff.

From the following table it will be seen that the removal of the duty neither caused the growth of the import trade in piece-goods to be more rapid than before nor prevented the expansion of the Indian cotton trade from proceeding at a faster rate.

YEAR.	Imports of British Cotton Piece-goods.		Imports of Cotton Yarn, Twist and Thread.	
	Quantity.	Value.	Quantity.	Value.
	Yards.	Rs.	lbs.	Rs.
1867—68 ...	Not available	1,12,34,059	Not available	23,21,290
1872—73 ...	Not available	1,31,57,043	Not available	25,04,441
1877—78 ...	1,392,000,000	1,69,20,090	37,000,000	29,25,882
1882—83 ...	1,711,000,000	2,10,87,930	45,000,000	34,33,155
1887—88 ...	1,918,000,000	2,33,24,226	53,000,000	37,16,445
1892—93 ...	1,871,000,000	2,31,27,225	39,000,000	28,43,351

Table showing advance in production in Indian Cotton Mills.

YEAR.	Number of Spindles.	Number of Looms.	Export of Indian Cotton Goods.		
			Yards of Cloth.	lbs. of Twist.	Total Value.
					Rs.
1877—78 ...	1,289,706	10,533	25,000,000	17,000,000	11,42,732
1882—83 ...	1,654,108	15,116	47,000,000	48,000,000	25,78,383
1887—8 ...	2,375,739	18,840	74,000,000	116,000,000	52,27,929
1892—93 ...	3,378,303	26,317	85,000,000	194,000,000	81,00,657

In 1894 the Government of India was confronted with a heavy loss owing to the further fall in the gold value of silver. In order to obtain an increased revenue the necessity for reimposing the import duties was considered. It was estimated that a 5 per cent. duty on articles exclusive of silver and cotton manufactures would produce a revenue after the first year of one crore four hundred thousand rupees. If a 5 per cent. duty were imposed upon cotton piece-goods and a 3 per cent. duty on yarns a further yield might be expected of one crore three thousand rupees.

The Secretary of State, while approving of the proposal to restore the general import duty, decided that an exception should be made for the moment in respect of imported cotton manufactures. If the financial difficulties of the Government continued it was agreed that the subject of reimposing the cotton duties should be further discussed. When subsequently consenting to the reimposition of the cotton import duties the Secretary of State considered by what means the protective influence of the duty might be avoided. The attempt to distinguish between those classes of cotton imports which came into competition with the Indian manufactures and those which did not and to levy the duty only upon the latter was proved by the experience of 1879-80 to have been practically impossible. The alternative appeared to be an excise duty upon Indian cotton manufactures. The principal objections urged against an excise duty upon the products of the Indian cotton mills were—

(1) That the Indian cotton mills were at the time in a depressed state and that the imposition of such a duty would check the growth of the only large manufacturing industry in India.

(2) That such a duty could not be levied on the produce of mills in native states, or in Portuguese and French settlements, and would therefore greatly favour mills outside British India to the prejudice of mills in British provinces.

(3) That the excise duty would be difficult to levy and would involve large refunds on Indian goods exported to further Asia and to America.

With regard to these objections the Secretary of State expressed the opinion that, supposing the depression of the Indian mills to be only temporary, a moderate excise duty for the purpose of maintaining an equality of competition between imported and Indian

cotton goods would not seriously hamper the Indian industry since that industry had flourished and expanded during the twelve years 1882 to 1893 when its products had to meet the English manufactures on equal terms, the import trade being duty free.

The second objection applied to all cases of customs duties or excise duties which rendered necessary either the maintenance of a customs line, or the arrangement of a customs union between British territories in India and the territories of the native states, or of France and Portugal.

The third difficulty with regard to the refund upon exports was not considered likely to prove serious. The Secretary of State had thus virtually expressed his approval of an excise duty so long as it gave no ground for the suggestion that imported cotton goods were given a preference over native manufactures.

An inquiry was then instituted for the purpose of showing the actual extent of competition between the products of the native cotton mills and imported cotton goods. The inquiry showed that 94 per cent. of the yarn spun by the Indian mills was of count 24 or under. The reason for this was said to be that Indian raw cotton was not suitable for spinning higher counts and the trade necessarily followed the limits imposed by the nature of its raw material. The whole of the imported yarns were used for the hand-loom weaving of India and none was consumed in the mills. In the manufacture of yarn of counts lower than 24 the Indian mills were at considerable advantage relative to Manchester, but in the spinning of yarn of 30 count and over the Manchester producer had an equally well marked advantage, largely because American cotton was used for these higher counts which could not be supplied as cheaply in India as in England. There was thus a small part of the trade

represented in the manufacture of yarns between 24 and 30 that represented the field for competition.

The yarn manufactured in the Indian mills was used partly by the hand-loom weavers of the country ; a part of the balance was exported, chiefly to the Far East ; and the remainder was manufactured into cloth in the Indian weaving mills. In 1894 373,000,000 lbs. of yarn was produced in the Indian mills of which 170,000,000 lbs. was exported, 129,000,000 lbs. was used for hand-loom weaving and 74,000,000 lbs. for mill weaving.

The machine industry for Indian weaving was on a much smaller scale than that for spinning. It was engaged entirely in working up coarse yarn made of Indian cotton with the exception of a very small quantity made from Egyptian cotton. Thus while India both in the case of the manufacture of yarn and of cloth was engaged in the production of goods of coarser quality with which Manchester could not compete, the English mills specialised in the production of yarns and piece-goods of finer qualities, the great bulk of the import trade consisting of goods of about 30 count. The competition of the Indian mills with those of Manchester probably effected less than 2 per cent. of the Manchester trade with the East. Thus the protective effect of a 5 per cent. import duty without a countervailing excise duty would not be very serious. If an excise duty were imposed it was suggested that it should be levied upon yarns only, since the difficulty of assessing an excise duty upon weaving which involved a discrimination between fine goods and coarse would be very considerable. To arrange for a drawback upon the export of duty-paid yarns was not considered to present any difficulty.

In May 1894 a new Tariff Act had been passed imposing a general import duty of 5 per cent. from the operation of which cotton goods were excluded.

In December of the same year an amending Act was passed with the following effect:—

(1) An import duty was laid upon cotton piece-goods and yarn of 5 per cent.

(2) An excise duty of 5 per cent. was placed upon all yarn manufactured in Indian mills above the count of 20.

The Government of India had recommended that only yarns of count 24 and over should be subject to excise. The Lancashire manufacturers maintained, however, that they competed in the production of goods between counts 20 and 24 and in deference to this contention the lower limit was adopted.

It was estimated that only 20 per cent. of the yarn produced in the Indian mills was of counts above 20. Thus four-fifths of the production escaped the excise duty in any case. But as the yarn produced for export was allowed a drawback of the whole duty the proportion of Indian yarn subject to the tax was considerably less than four-fifths of the whole output.

The yield of the excise duty was thus a negligible consideration. The sole reason for imposing it was to remove any protective force which the cotton import duties might exert. At the moment this influence was admittedly small and the excise duty was rather in the nature of a sacrifice to principle than a measure demanded for the purpose of removing a practical evil. One of the important objections to the excise duty was the effect that it was likely to have in checking the attempt of the Indian cotton mills to improve the quality of their manufactures since it put a premium upon the production of the coarser counts. The economic effect of the excise duty was, however, likely to be trifling. The chief objection taken to it was rather inspired by resentment against the exercise of an authority

on the part of Parliament which compelled the Council in India to pass a measure which it did not believe to be necessary and which was said to take away from the Council all independence and representative character.

The attempt to establish equality of competition as between the British exporters of cotton goods and Indian manufacturers by the provisions of the Tariff of 1894 was soon condemned by the British manufacturers as a failure. The Indian Government had based that tariff on the assumption that there was no competition between India and the United Kingdom in respect of the coarse yarns below twenties or of the piece-goods woven from them. When therefore the 5 per cent. import duty was placed upon British cottons the countervailing excise duty of 5 per cent. had been levied only on Indian yarn above 20 count.

The Lancashire manufacturers declared that in practice the Act of 1894 transgressed the principles laid down in the House of Commons that Indian tariff legislation should have no protective effect. The belief that India was free from competition in respect of coarse goods was largely founded upon the argument that the native cotton which could be employed in the manufacture of coarse goods was so much cheaper than the American cotton used in the Lancashire mills that the latter could never hope to compete. It was now asserted that, owing to the fall in the price of American cotton, Lancashire could and did compete in the production of coarse goods, but under conditions of disadvantage due to the 5 per cent. import duty from which the Indian manufacturers were exempt. In the second place it was declared that the levy of the 5 per cent. excise duty on Indian yarns above twenties was not a sufficient countervailing influence to the 5 per cent. import duty paid by the British goods. This resulted from the fact

that the excise duty on yarn represented a very much lower charge than a 5 per cent. import duty which was paid upon the full value of the manufactured goods. Thus, it was said, the Indian weaver obtained an important preference.

The representations to the effect that the Indian cotton duties were in fact protective were considered by the Secretary of State and, upon examination, were held to have been established. In order to eliminate their protective influence a new tariff was introduced into India by Act III of 1896. By this Act the import duty on cotton manufactures was reduced to $3\frac{1}{2}$ per cent., while cotton twist, yarn and thread became duty-free.

At the same time an excise duty was imposed in India by Act II of 1896 at the rate of $3\frac{1}{2}$ per cent., not upon cotton yarns, but upon all cotton woven goods produced in the Indian mills subject to a drawback upon goods exported. Thus the exemption from excise upon coarse yarn was abolished. Since Indian yarns were no longer taxed, except when woven in Indian mills, and imported yarn was duty-free, it followed that the hand-loom weavers who paid no excise, whether using imported or native yarn, enjoyed a protection to the extent of $3\frac{1}{2}$ per cent. as against the power-loom weavers. Thus a change which was justified as removing an adverse discrimination against the British cotton manufacturers created an adverse discrimination against the Indian mill-owners in favour of the hand-loom weavers. The Government of India declared that $3\frac{1}{2}$ per cent. was so small an advantage that any questions of protection between the mill weaver and the handloom weaver might be safely left out of account. The statement was probably true; but it might with almost equal truth have been said of the competition between the Lancashire mills and the Bombay mills.

During the prolonged controversy on the subject of the cotton duties there was much exaggeration in the statements urged by the Lancashire manufacturers as to the preference which would accrue to the Indian mills in the absence of an excise duty. At the same time the suggestion that by its imposition the infant cotton manufacture of India was being sacrificed was equally indefensible. If a general import duty was necessary for revenue there was no real ground for making an exception in favour of cotton goods, except in order to benefit the Lancashire mills. When Lord Salisbury demanded their abolition in 1874, he could scarcely be excused from the charge of being disingenuous in claiming to speak in the interests of India alone.

The ensuing period of free trade had nevertheless proved that the Indian mills were quite capable of progressing without tariff aid. When the import duties were re-introduced in 1894, Lancashire had the weight of economic argument in its favour in demanding that, since Parliament had declared that the Indian tariff should not be protective, there should be a corresponding excise duty. It was none the less natural that Indian opinion should condemn such a refinement in the application of free trade theory as involved the recourse to a tax which was troublesome to collect, had been condemned as harmful by Lord Salisbury in 1874, was not required for revenue, and was avowedly only accepted by the Government of India under pressure.

With the passage of the Tariff Act of 1896, we come to a convenient point for bringing this outline of the trade relations between England and India to a close. To pursue the subject further would require a discussion of present problems which are properly outside the scope of an historical study.

APPENDIX.

Table I.

Import Duties into England upon Indian Textiles, 1800–1824.

Year.	Class of Goods.	Description of Duty.	Rate of Duty.
			£ s. d.
1800 ..	Plain Muslins, and Muslins or Calicos, Flowered or Stitched.	Warehouse ...	7 10 0 per cent.
		Convoy ...	3 0 0 ,,
		Consumption ...	19 13 9 ,,
		Total ...	30 3 9 ,,
1805 ... (45. Geo. III. C. 18.)	Do. ...	Warehouse .	9 11 3 ,,
		Consumption ...	25 10 0 ,,
		Total ...	35 1 3 ,,
1812 ..	Do. ...	Warehouse ..	10 0 0 ,,
		Consumption ...	27 6 8 ,,
		Total ...	37 6 8 ,,
1813 ... (53. Geo. III. C. 33.)	Do. ...	Warehouse ...	11 17 6 ,,
		Consumption ...	32 9 2 ,,
		Total ...	44 6 8 ,,
1814 ... (54. Geo. III. C. 36.)	Do. ...	Warehouse—	
		(*a*) Permanent ..	4 0 0 ,,
		(*b*) Temporary ...	1 0 0 ,,
		Consumption—	
		(*a*) Permanent ...	26 0 0 ,,
		(*b*) Temporary ...	6 10 0 ,,
		Total ...	37 10 0 ,,
1819 ... (4. Geo. IV. C. 69.)	Do. ...	Single Import Duty	37 10 0 ,,
1800 ...	Plain White Calicos.	Warehouse ...	2 10 0 ,,
		Convoy ...	3 0 0 ,,
		Consumption ...	{ 0 6 8 per piece. 20 19 1 per cent.
1805 ...	Do. ...	Warehouse ...	3 3 9 ,,
		Consumption ...	63 15 0 ,,
		Total ...	66 18 9 ,,
1812 ...	Do. ...	Warehouse ...	3 6 8 ,,
		Consumption ...	68 6 8 ,,
		Total ...	71 13 4 ,,
1813 ...	Do. ...	Warehouse ...	3 19 2 ,,
		Consumption ...	81 2 11 ,,
		Total ...	85 2 1 ,,

TABLE I.—*Continued.*

Year.	Class of Goods.	Description of Duty.	Rate of Duty.
			£ s. d.
1814 ...	Plain White Calicos.	Warehouse—	
		(a) Permanent ...	4 0 0 per cent.
		(b) Temporary ...	1 0 0 ,,
		Consumption—	
		(a) Permanent ...	50 0 0 ,,
		(b) Temporary ...	12 10 0 ,,
		Total ...	67 10 0 ,,
1819 ...	Do. ...	Single Import Duty	67 10 0 ,,
1800 ...	Plain Dimities ...	Warehouse ...	2 10 0 ,,
		Convoy ...	3 0 0 ,,
		Consumption ...	{ 0 2 0 per yd.
			{ 22 3 6 per cent.
1805 ...	Do. ...	Warehouse ...	3 3 9 ,,
		Consumption ...	63 15 0 ,,
		Total ...	66 18 9 ,,
1812 ...	Do. ...	Warehouse ...	3 6 8 ,,
		Consumption ...	68 6 8 ,,
		Total ...	71 13 4 ,,
1813 ...	Do. ...	Warehouse ...	3 19 2 ,,
		Consumption ...	81 2 11 ,,
		Total ...	85 2 1 ,,
1814 ...	Do. ...	Warehouse—	
		(a) Permanent ...	4 0 0 ,,
		(b) Temporary ...	1 0 0 ,,
		Consumption—	
		(a) Permanent ...	50 0 0 ,,
		(b) Temporary ...	12 10 0 ,,
		Total ...	67 10 0 ,,
1819 ...	Do. ...	Single Import Duty	67 10 0 ,,
1800 ...	Raw Silk—		
	(a) Indian ...	Warehouse ...	2 0 0 ,,
		Consumption ...	0 3 $3\frac{12}{20}$ per lb.
	(b) Other ...	Convoy ...	0 0 6 ,,
		Consumption ...	0 3 $3\frac{12}{20}$,,
1805 ...	Raw Silk—		
	(a) Bengal ...	Warehouse ...	2 11 0 per cent.
		Consumption ...	0 3 $9\frac{9}{10}$ per lb.
	(b) All other ...	Consumption ...	0 5 $1\frac{1}{5}$,,
1812 ...	Raw Silk—		
	(a) Bengal ...	Consumption ...	0 4 0 ,,
	(b) Other ...	Do. ...	0 5 8 ,,
1814-19 ...	Raw Silk—		
	(a) Bengal ...	Consumption ...	0 3 9 ,,
	(b) Other ...	Do. ...	0 5 $7\frac{1}{2}$,,
1819 ...	Raw Silk—		
	(a) British Indian	......	0 4 0 ,,
	(b) All other ...	......	0 5 6 ,,

Table II.

Piece-goods imported from India to England and sold at Company's Sales, 1771–1792.

(Milburn, "Oriental Commerce," Vol. II, p. 234.)

Year.	Bengal Piece-goods.		Madras Piece-goods.		Surat Piece-goods.		Total.	
	Pieces.	Value.	Pieces.	Value.	Pieces.	Value.	Pieces.	Value.
		£		£		£		£
1771	604,757	1,073,841	114,710	261,893	131,198	91,300	850,665	1,427,034
1772	626,160	1,035,686	273,766	523,094	147,029	87,176	1,046,955	1,645,956
1773	761,489	1,224,467	134,789	505,533	58,138	65,231	954,416	1,795,231
1774	616,226	1,105,230	207,086	644,563	38,366	54,798	861,678	1,804,591
1775	517,761	960,244	181,950	583,765	47,405	62,355	747,116	1,606,364
1776	607,878	1,090,744	209,538	515,557	18,822	13,308	836,238	1,619,609
1777	655,332	1,114,734	224,183	492,926	83,024	48,468	962,539	1,656,128
1778	805,010	1,194,613	296,182	422,213	61,285	32,207	1,162,477	1,649,033
1779	338,465	524,636	74,676	203,186	31,525	13,230	444,666	741,052
1780	474,703	984,763	107,130	257,626	18,605	11,349	600,438	1,253,738
1781	301,617	582,116	95,868	233,643	33,144	23,129	430,629	838,888
1782	446,488	1,033,557	72,188	204,163	36,597	29,403	555,273	1,267,123
1783	437,802	1,049,224	...	...	82,966	79,944	520,768	1,129,168
1784	516,088	908,370	44,810	116,883	31,130	22,607	592,028	1,047,860
1785	768,228	1,426,252	45,352	115,632	26,767	18,963	840,347	1,560,847
1786	764,173	1,458,416	43,240	97,511	...	...	807,413	1,555,927
1787	745,449	1,317,934	38,641	84,598	41,882	28,560	825,972	1,431,092
1788	594,728	978,507	96,455	191,826	41,806	29,937	732,989	1,200,270
1789	614,839	943,096	112,216	225,169	44,715	33,357	771,770	1,201,622
1790	866,282	1,485,080	126,221	253,625	33,131	9,639	1,025,634	1,748,344
1791	709,540	1,131,717	144,996	475,590	57,080	44,380	911,616	1,651,687
1792	607,329	1,194,875	240,108	577,400	25,910	21,050	873,347	1,793,325

TABLE III.

Value of Piece-goods sold at Company's Sales for the Company and Private Traders, 1793-94–1809-10.

(Milburn, "Oriental Commerce," Vol. II. page 235.)

Year.	Company's Goods. Bengal.	Company's Goods. Madras and Surat.	Privilege and Private Trade Goods.	Neutral and Prize Goods.	Total.
	£	£	£	£	£
1793–1794 ...	1,216,801	399,825	180,729	......	1,797,355
1794–1795 ...	1,249,704	572,029	460,264	......	2,281,997
1795–1796 ...	1,353,599	715,777	261,863	37,860	2,369,099
1796–1797 ...	1,323,594	1,031,109	365,020	56,959	2,776,682
1797–1798 ...	651,926	459,548	197,602	......	1,309,076
1798–1799 ...	1,228,308	1,773,577	243,837	23	3,215,745
1799–1800 ...	1,056,840	871,097	340,567	4,888	2,273,392
1800–1801 ...	1,406,876	1,169,155	285,813	......	2,861,847
1801–1802 ...	1,131,531	817,955	431,788	......	2,381,274
1802–1803 ...	664,317	700,477	1,070,242	......	2,435,036
1803–1804 ...	672,079	516,928	1,060,612	4,643	2,254,262
1804–1805 ...	444,114	464,411	853,904	......	1,762,429
1805–1806 ...	621,862	614,317	772,517	......	2,008,696
1806–1807 ...	498,233	278,977	201,107	......	978,317
1807–1808 ..	260,307	172,574	111,543	......	544,424
1808–1809 ...	376,516	353,121	65,533	4,477	799,647
1809–1810 ...	333,768	769,870	77,564	71	1,181,273

TABLE IV.

Value of Goods sold at East India Company's Sales, exclusive of Tea, 1708–1810.

(From Macgregor, "Commercial Tariffs," p. 122.)

Year.	Total Sales.	Average Sales per annum.	Value of Private Goods sold at Company's Sales.
	£	£	£
1708–1720	10,810,949	831,619	......
1721–1730	12,515,231	1,251,523	......
1731–1740	13,758,774	1,375,877	......
1741–1750	15,333,444	1,533,344	......
1751–1760	13,657,786	1,365,778	......
1761–1770	16,876,931	1,687,693	......
1771–1780	25,144,681	2,514,468	1,755,279
1781–1790	27,358,906	2,735,890	5,702,607
1791–1800	49,535,993	4,953,599	15,854,883
1801–1810	46,792,429	4,679,242	28,989,336

N.B.—The above includes the sales of all imports, including those from China, with the exception of Tea.

Table V.

Exports by the East India Company of Bullion and Merchandise to India, 1708–1810.

(From Macgregor, "Commercial Tariffs," p. 119.)

Year.	Bullion.	Average per Annum.	Merchandise.	Average per Annum.
	£		£	
1708—1720 ...	4,683,557	360,273	1,283,732	128,373
1721—1730 ...	4,200,921	420,092	1,002,855	100,285
1731—1740 ...	3,851,393	385,139	1,447,973	144,797
1741—1750 ...	5,404,475	540,447	1,888,505	188,850
1751—1760 ...	3,771,831	377,183	2,885,119	288,511
1761—1770 ...	159,155	15,915	3,892,046	389,204
1771—1780 ...	138,611	13,861	3,761,057	376,105
1781—1790 ...	720,164	72,016	3,492,988	349,298
1791—1800 ...	1,853,226	185,322	6,640,576	664,057
1801—1810 ...	4,796,877	479,687	8,177,919	817,791

N. B.—The above figures refer to the exports to India alone and do not include the exports to China.

Table VI.

Quantity of Raw Cotton imported into Great Britain.
1701–1818.

(Macgregor, "Commercial Tariffs," p. 480.)

Year.	Imports.	Year.	Imports.
	lb.		lb.
1701—1705 ...	1,170,881 Annual average.	1798 ...	31,880,641
1716—1720 ...	2,173,287 ,,	1799 ...	43,379,278
1771—1775 ..	4,764,589 ,,	1800 ...	56,010,732
1776—1780 ...	6,706,013 ,,	1801 ...	56,004,305
1781 ..	5,198,778	1802 ...	60,345,600
1782 ...	11,828,039	1803 ...	53,812,284
1783 ...	9,735,663	1804 ...	61,867,329
1784 ..	11,482,083	1805 ...	59,862,406
1785 ...	18,400,384	1806 ...	58,176,283
1786 ...	19,475,020	1807 ...	74,925,306
1787 ...	23,250,268	1808 ...	43,605,982
1788 ...	20,467,436	1809 ...	98,812,282
1789 ...	32,576,023	1810 ...	132,488,935
1790 ...	31,447,605	1811 ...	91,576,535
1791 ...	28,706,675	1812 ...	63,065,936
1792 ...	34,907,497	1813 ..	50,966,000
1793 ..	19,040,929	1814 ...	60,060,239
1794 ...	24,358,567	1815 ...	99,306,343
1795 ...	26,401,340	1816 ...	93,920,055
1796 ...	32,126,357	1817 ...	124,912,968
1797 ...	23,354,371	1818 ..	177,282,158

Table VII.

Official Value of Cotton Goods exported from Great Britain, 1766–1818.

(Macgregor. "Commercial Tariffs," p. 494.)

Year.	Exports.	Year.	Exports.
	£		£
1766 ...	220,759	1801 ...	6,606,368
1780 ...	355,060	1802 ..	7,195,900
1785 ...	864,710	1803 ...	6,442,037
1786 ...	915.046	1804 ...	7.834,564
1787 ...	1,101,457	1805 ...	8,619,990
1788 ...	1,252,240	1806 ...	9.753,824
1789 ...	1,231,537	1807 ...	9,708.046
1790 ...	1,662,369	1808 ...	12,503.918
1791 ...	1,875,046	1809 ...	18,425,614
1792 ...	2,024,368	1810 ..	17,898,519
1793 ...	1,733,807	1811 ..	11,529,551
1794 ...	2,376,077	1812 ...	15,723,225
1795 ...	2,433,331	1813 ...	Records destroyed.
1796 ..	3,214,020	1814 ...	16.535,528
1797 ...	2,580,568	1815 ...	21,480,732
1798 ...	3,602,488	1816 ...	16,183,975
1799 ...	5,808,009	1817 ...	20,133.966
1800 ...	5,854,509	1818 ...	21,292,354

Table VIII.

Quantity of Bengal Raw Silk imported into England, 1791–1822.

Year.	Quantity.	Year.	Quantity.
	lb.		lb.
1791 ..	444,358	1806 ...	412,881
1792 ...	425,234	1807 ...	513,823
1793 ...	736,081	1808 ...	380,227
1794 ...	521,460	1809 ..	164,100
1795 ...	381.199	1810 ...	577,326
1796 ...	347 936	1811* ..	414.404
1797 ...	92,204	1814 ...	965,414
1798 ...	353,394	1815 ...	861,379
1799 ...	644,819	1816 ...	764,663
1800 ...	583,086	1817 ...	555,003
1801 ...	351,825	1818 ...	971,130
1802 ...	111,737	1819 ...	953,817
1803 ...	405,631	1820 ...	1,078,671
1804 ...	624,878	1821 ...	1,051,263
1805 ...	845,497	1822 ...	874,228

* The records for 1812–13 are destroyed.

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